

**MUDDLING THROUGH OR JUST A MUDDLE:  
AUSTRALIAN GOVERNMENT RESPONSES TO FARM  
POVERTY 1989-1998**

**A thesis submitted for the degree of Doctor of Philosophy of  
The Australian National University.**

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## Preface and Acknowledgements

The origin of this thesis lies in the author's inquiries to some policy development both within the Australian federal government and in the United Kingdom. The author is now Minister for Primary Industries and Energy (1990). The thesis is the result of a series of research visits undertaken while the Department of Primary Industries and Energy is based in Canberra. The author is grateful to those who have assisted in the development of this thesis. The author is particularly grateful to the following:

## Declaration

I certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree or qualification.

I certify that any help received in preparing this thesis, and all sources used, have been acknowledged in this thesis.



Linda Botterill

## Preface and Acknowledgments

The origins of this thesis lie in the writer's experience in rural policy development both within the Australian federal bureaucracy and as an adviser to two Ministers for Primary Industries and Energy during the drought in the early 1990s. The drought highlighted the incidence of farm poverty and a series of schemes was developed within the Department of Primary Industries and Energy to assist farm families facing hardship. As these schemes were created, amended and replaced, it became clear to me that the process by which Government responses were being developed was flawed.

For a significant portion of the period covered by this thesis (1992-1995) I was an active player in the policy process. As an officer in the Department of Primary Industries and Energy in 1992, I co-ordinated the Standing Committee on Agriculture Working Group on the development of a National Drought Policy (chapter three). Later that year, I had prime carriage of the development of the Farm Household Support Scheme (chapter three), negotiating with other Government Departments, preparing Cabinet submissions, writing drafting instructions for Parliamentary Counsel, writing the explanatory memorandum and the second reading speech and advising Ministers on the floor of Parliament during the second reading debates. I was also responsible within DPIE for the implementation phase of the scheme, managing the contract for the advertising campaign, development of the scheme logo and design of the application forms. As Acting Branch Head, I also oversaw the passage of the *Rural Adjustment Act 1992* (chapter three) including the drafting of legislation, second reading speeches and explanatory memoranda.

In July 1993 I joined the Office of the then Minister for Primary Industries and Energy, Simon Crean to advise on a range of issues including drought and rural adjustment policy. When the Cabinet was reshuffled in December 1993 I moved to the Office of the new Minister for Primary Industries and Energy, Senator Bob Collins and retained policy responsibility for drought and rural adjustment. I was closely involved in the development of the Drought Relief Payment (chapter four) and represented the Minister on a tour of drought-stricken areas of Queensland by the Attorney-General and Senior Minister from Queensland Michael Lavarch in September 1994. I left Senator Collins's Office in March 1995 and subsequently worked for two industry lobby groups, one of which was the Grains Council of Australia. Where relevant, I have indicated throughout this thesis the positions I held and the vantage point from which I observed or participated in the policy process. My recollections are backed up by my diaries and notebooks from the period.

In undertaking this study, I have returned to those policies to try to identify how the policy process influenced the outcome and why farm poverty seems to be such a difficult policy issue. In preparing this thesis I have been greatly assisted by informal discussions with former colleagues in the public service and in Ministerial Offices and by members of Parliament on both sides of politics. Where I conducted more formal interviews these have been referenced.

The Rural Industries Research and Development Corporation has provided me with a supplement to my scholarship and their support is gratefully acknowledged.

Returning to full time study after a number of years as a policy practitioner in government and in industry lobby groups could have been a major culture shock. However, my experience has been a happy one, due in no small part to the efforts of my supervisors. I would like to thank John Warhurst and David Adams for always being accessible and providing timely feedback on all my drafts and probably more importantly on my verbal bombardments when inspiration struck. Thanks also to Onko Kingma whose encouragement of my work goes back nearly ten years to our time together in the Rural Policy Branch in the Department of Primary Industries and Energy.

This thesis would not have been written without the support of my husband who cheerfully accepted my decision to throw in a perfectly good, well paying job to return to university. It probably wouldn't have happened, either, if my parents had not created a childhood environment which encouraged inquiry and debate and which has led to a life-long search for knowledge and understanding.

### Abstract

This thesis examines the programs introduced by the Australian Government between 1989 and 1998 aimed at responding to inadequate incomes among farmers. The policies were developed and frequently reviewed in the context of the Government's structural adjustment objectives for the farm sector and related drought response policies.

The policy process itself was incremental, suggesting that Charles Lindblom's model of "muddling through" might provide a valuable analytical tool. In Lindblom's model an important role is allocated to watchdogs who protect and promote a diversity of values during the course of policy development. In the area of farm poverty, the Commonwealth Department of Primary Industries and Energy, the various farming and welfare interest groups and the major political parties have not been effective advocates for poor farmers. The strong influence of economic liberalism within policy circles suggests that the diversity of views that Lindblom called for is absent and it has seen farm poverty framed as an industry issue rather than a welfare concern. This may not be such a problem if the values of economic liberalism were more compatible with the agrarianism which is important to many small family farmers.

The future of Australian agriculture is being shaped by the Commonwealth's rural adjustment policies, however there has been little public debate about the direction of these policies. The focus has been on the means and on instrumental goals such as economic efficiency with little consideration given to the environmental and social implications. Government policies towards farm poverty provide an interesting insight into the dilemmas of policy making when the policy ends are not clear and different values are represented unequally in the policy process.

### Abbreviations

AAA	The "Agriculture Advancing Australia" policy package introduced by Minister Anderson in September 1997
AAC	Australian Agricultural Council
ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACANZ	Agricultural Council of Australia and New Zealand, name of the AAC which was briefly adopted in 1992 following the inclusion of New Zealand in the Ministerial Council.
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
AFFA	Agriculture Fisheries and Forestry - Australia
ALP	Australian Labor Party
ARMCANZ	Agriculture and Resource Management Council of Australia and New Zealand, successor organisation to the AAC and ACANZ (see above)
BAE	Bureau of Agricultural Economics, predecessor of ABARE
DPI	Department of Primary Industry
DPIE	Department of Primary Industries and Energy
DPRTF	Drought Policy Review Task Force
DRP	Drought Relief Payment
DSS	Department of Social Security
EPAC	Economic Planning and Advisory Council
FFRS	Farm Family Restart Scheme
FHS	Farm Household Support — scheme established under the <i>Farm Household Support Act 1992</i>
GDP	Gross Domestic Product
IAC	Industries Assistance Commission
IC	Industry Commission
JSA	JobSearch Allowance (unemployment benefit)
NCOSS	New South Wales Council of Social Services

NDRA	Natural Disaster Relief Arrangements
NFF	National Farmers' Federation
NSA	NewStart Allowance (unemployment benefit)
NSWFA	New South Wales Farmers' Association
QFF	Queensland Farmers' Federation
QGGA	Queensland Graingrowers' Association
RAFS	Retirement Assistance for Farmers Scheme
RAS	Rural Adjustment Scheme
RAS 88	Rural Adjustment Scheme set up under the <i>States and Northern Territory Grants (Rural Adjustment) Act 1988</i>
RAS 92	Rural Adjustment Scheme set up under the <i>Rural Adjustment Act 1992</i>
RASAC	Rural Adjustment Scheme Advisory Council
RPPU	Rural and Provincial Policy Unit
SAFF	South Australian Farmers' Federation
SCA	Standing Committee on Agriculture — the Standing Committee responsible to the AAC
SCARM	Standing Committee on Agriculture and Resource Management — the Standing Committee of Officials responsible to ARMCANZ
UGA	United Graziers' Association
US	United States of America
VFF	Victorian Farmers' Federation
WAFF	Western Australian Farmers' Federation



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## CHAPTER ONE: INTRODUCTION

Agriculture has played an important role in Australia's history since European settlement. It has been described as providing "the cornerstone of Australia's economic prosperity" (Wilson and Johnson 1997, p7) and for many years the adage that Australia rode on the sheep's back was appropriate (Epps 1993, p116). As the Australian economy has developed and matured, agriculture's contribution to gross domestic product (GDP) has declined, although its export earnings remain significant. In 1997-98, the gross value of agricultural production was \$27.4 billion or 3.4 per cent of GDP. The total value of exports was \$22.9 billion or 25.9 per cent of total goods (merchandise) exports (DPIE 1998b, p8). Although there have been moves to diversify over the past decade or so, agricultural production and exports remain dominated by grains, meat and wool (ABARE 1999).

Australian agriculture has experienced an ongoing process of adjustment (Ockwell 1990, p46) and this is likely to continue. The outlook has been described as "continuing and significant change that will bring both opportunities and threats to the farm sector" (McColl et al. 1997, p5). In addition to market pressures arising from the globalisation of world agriculture, farmers face natural risks, and the challenge of sustainably managing their resource base. As Epps notes:

Australia is not endowed with a wealth of good farming and grazing land. Compared with many other countries, our lands are generally nutrient poor, fed by erratic rainfall, and subject to a range of hazards. (Epps 1993, p118)

These hazards include pests, drought, floods, bushfire and, in the tropics, cyclones. The ancient soils of the Australian continent are not well suited to hoofed animals and the combination of tree clearing and irrigation has caused problems with salinity. Large areas of the rangelands have been degraded and in places that degradation is irreversible. It has been

estimated that the annual cost of lost production due to land degradation is around \$1 billion (Wilson and Johnson 1997, p15).

Australia's farmers and rural life have become part of the national identity. Stehlik et al describe this as a notion that Australians are

essentially rural creatures transplanted against our will in urban metropolises around the eastern seaboard of the continent. To many of us 'the bush' evokes a natural, pristine essentially good place which may be less than the city we live in, but somehow it is still morally our national conscience. We respond emotionally to the ideology of the pioneering spirit, the challenge against the unknown, the concept of 'the rural'... (Stehlik et al. 1996)

Soldiers returning from the Second World War were thanked for their service by the allocation of farm land through the War Service Land Settlement Scheme which provided for the intensification of existing land use and development of new lands. With this policy, the rural myth became tied up with the "Anzac legend" (Stehlik et al. 1996). Sadly, these soldier settlement schemes sowed the seeds for some of the adjustment problems which faced the farming sector over half a century later when these properties proved too small to be viable in an era of declining farm terms of trade. The policy of closer settlement was expanded in the 1950s to include new farmers other than those selected as soldier settlers (McEwen 1952). Although these schemes had the support of agriculture Ministers around Australia, they were not universally applauded. Professor of Agriculture at the University of Melbourne SM Wadham wrote in 1947 that

Of all the foolish policies of land settlement which have been advocated for general application in many parts of Australia, the endeavour to create systems of small-scale or peasant farming is probably the most stupid. (Wadham 1947)

Other government policies have also impacted significantly on agriculture. During the late 1970s and early 1980s farmers were exhorted to 'get big or get out'. This resulted in additional land purchases by farmers, including

those who were already productive and viable in the long term and for whom further land purchases may not necessarily have been sound business decisions. These purchases were often debt-financed and, when combined with the very high interest rates in the late 1980s, resulted in a debt crisis in agriculture (Epps 1993, p121).

### **Agriculture in Australia**

Australia is the world's largest exporter of wool, the fourth largest wheat exporter (Irving et al. 2000, p29) and a significant producer and exporter of beef. Production far outstrips domestic demand, so the sector is export-oriented with nearly 80 per cent of primary production being exported (Wilson and Johnson 1997, p11). Australian farmers are among the most efficient in the world in terms of production costs, having achieved ongoing increases in agricultural output in real terms. Over the period 1960-61 to 1988-89 this increase was at a trend rate of 2 per cent per annum (Wonder and Fisher 1990, p55). In response to changing market conditions, Australian farmers have begun the move from the production of undifferentiated bulk commodities to more customer-focused, niche marketing. For example, grain growers have shifted their production from wheat of "fair average quality" to specialty grains such as noodle wheats and high protein durum wheat for pasta manufacture. Similarly, beef producers have changed their practices to respond to the Japanese demand for marbled beef products, and the wool industry has increased its emphasis on the production of very fine wools in order to increase the value of the product. Relatively new crops such as cotton, canola and chick peas have also expanded and exports of fresh fruit and vegetables have increased as farmers have sought new, higher value markets. However, Australian farming remains dominated by broadacre farming systems (sheep, beef cattle and extensive cropping) (ABARE 1999).

In spite of ongoing productivity improvements and moves into higher value products, agriculture's importance to the Australian economy has been steadily declining. The farm sector's contribution to GDP dropped from around 18 per cent in 1952-53 to around 3 per cent in 1995-96 (McCull et al. 1997, p21) and agriculture's share of exports dropped from 78 per cent in real value terms to 21 per cent over the same period (McCull et al. 1997, p22). Farmers have faced declining terms of trade for decades — at an average annual rate of 2 per cent over the past forty years (Industry Commission 1996, p4). This long term decline has been exacerbated by climatic variability and fluctuations in commodity prices, with the latter felt more acutely in recent years as various price support and stabilisation schemes have been abolished by successive governments. As price-takers in the international market, Australia's commodity producers have also been adversely affected by the agricultural trade policies of the large international players, such as the US Export Enhancement Program and the export subsidies of the European Union's Common Agricultural Policy. In 1998, Australian farmers felt the impact of economic upheavals in Russia, Latin America and Asia as weaker demand for commodities resulted in agricultural commodity prices declining on average 20 to 30 per cent in US dollar terms (Fisher 1999, p3).

In 1997, there were 145,086 farm enterprises in Australia and 394,000 people were employed in agriculture and related industries (Donges 1998a, p10). The proportion of the Australian workforce employed in agriculture has declined from around 10.3 per cent in 1962-63 to 5 per cent in 1988-89 and 4.2 per cent in 1998-99 (ABARE 1999, p2). Australian agriculture is dominated numerically by family farms with about 90 per cent of farms fitting this description (Lawrence et al. 1992, p10).

Family farms are either owned by a sole operator or family partnership and "operate on the basis of a combination of business and social goals" (McCull et al. 1997, p7). Only 0.4 per cent of farm enterprises are corporately owned, although these farms contribute 6.5 per cent of the gross value of production (Wilson and Johnson 1997, p12). The financial performance of farms differs widely, with the top 20 per cent of farms producing 80 per cent of farm output (Wilson and Johnson 1997, p15) and there are many family farms which are performing well in all agricultural districts. The gap between top performing farms and the average performers has widened over the course of the 1990s (Beare 1999, p14). The overall number of farms has been decreasing, accompanied by an increase in the number of large farms. This reflects the fact that farm size has a significant bearing on farm financial performance (McCull et al. 1997, p27), although the Australian Bureau of Agricultural and Resource Economics (ABARE) suggests that this is only one factor, with farm management skill levels and the age of the farm operator also being significant (Beare 1999, p14). Nevertheless, structural adjustment pressures have been felt particularly by the smaller family farms as they are less resilient in the face of fluctuating commodity prices and an uncertain and variable climate.

Tied very closely to the issue of farm adjustment is that of farm poverty. Over the decade 1989-1998, a series of programs was implemented by the Commonwealth Government to provide support to farmers experiencing hardship. These programs were developed against a backdrop of ongoing structural adjustment in the farm sector, increasing globalisation and economic reform.



## Farm Poverty

There is frequent reference in the rural adjustment and farm policy literature to the "low income problem" in farming and the existence of poverty among farm families (Musgrave et al. 1975, p10; Campbell 1980, p83; Lawrence et al. 1992, p11; Rolley and Humphreys 1993, p248). However, no large scale systematic research has been undertaken to either define or measure farm poverty. In 1976, Vincent argued that

While legitimate doubts may be held concerning the actual number of farm families whose welfare is below socially acceptable standards, the evidence clearly points to a sizeable group whose incomes are chronically low and a larger group whose incomes are low in some years. (Vincent 1976, p112)

Based on 1986 figures, Davidson and Lees concluded that

After allowing for all adjustments, the levels of poverty range from 13 per cent for wage and salary farmer households, to 24 per cent for employer farmer households, and to 33 per cent for self-employed farmer households. (Davidson and Lees 1993, p45)

The adjustments referred to by the authors include allowance for the perquisites of farming, such as rent and motor vehicle use, for wealth increases and the opportunities for tax minimisation, as well as for regional differences (Davidson and Lees 1993, p45).

Defining and measuring poverty is a complex issue which is beyond the scope of this thesis. Putting aside the particular difficulties associated with assessing poverty among the self-employed (including farmers) there is ongoing debate in the social welfare literature about the appropriate means of defining and measuring poverty (Nicolaou 1998, p5). Saunders argues that "[i]t is not easy to produce a precise definition of poverty, even in its narrow meaning in relation to material well-being or 'primary poverty'" (Saunders 1998, p12). Debate includes whether poverty should be defined to incorporate social exclusion, concepts of relative deprivation, choice and social context and whether measurement should focus on income,

expenditure, level of choice or the budget-standards approach. The latter attempts to determine precisely how much it costs to live at a basic level by assembling a basket of goods and services and determining the budget necessary for their purchase (Henman 1998, p103). Townsend argues that

Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation. ... Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved in the societies in which they belong. (Townsend 1979, p31)

Within Australia, the Henderson poverty line has been used since the mid-1960s as a threshold for determining the level of poverty within the community and also as a factor in the determination of the level of social welfare payments. Although there has been criticism of the poverty line in terms of its arbitrary nature, the method it employs to adjust for differing family composition and the means for updating, it is generally regarded as useful (Saunders and Whiteford 1989). It should be noted that the criticisms that apply to the Henderson poverty line are also levelled in different degrees at other forms of poverty line (Atkinson 1989, p23). In assessing the number of farmers in poverty, a 1973 survey of farm households by the Australian Bureau of Statistics set the poverty line at 80 per cent of 60 per cent of average earnings. This compared with a poverty line of 60 per cent of average earnings for the community at large, the difference due to the fact that farmers did not generally face the housing costs of non-farm low income earners (Vincent et al. 1975, pp81-82).

The inclusion of farmers in the 1973 survey was unusual as the self-employed are generally excluded from poverty research. This is because their true financial situation is difficult to determine due to the blurring of business and family expenditure. Johnson explains:

There are several problems with analysing poverty among the self-employed. First many household expenditures such as housing costs, may have been paid wholly or in part by the business so there is an unidentified in-kind source of income; second many businesses may receive tax discounts on expenditures that apply to their households as well as to their business; third businesses may have the opportunity to average income over several years so that negative income may be recorded, and finally the structure of the business may involve more than one income unit making attribution of income difficult. (Johnson 1996, p53).

The situation with respect to farmers is further complicated by the nature of farming. As noted in the research report prepared for the Henderson Commission, "Financial Aspects of Rural Poverty",

Money income in farming is likely to be a misleading and inappropriate measure of farm poverty. Even extremely low farm incomes need not necessarily indicate a poverty situation. (Vincent et al. 1975, p82)

One of the main factors which hinders the accurate measurement of farm poverty is the large amount of capital tied up in the land. This often results in a situation where a farm family is asset-rich and income-poor. This arises due to both the generally low returns earned by agricultural land and the propensity of farmers to accumulate capital (Vincent et al. 1975, p86). Vincent et al argue that, for farmers, capital accumulation "has traditionally commanded a very high priority, often at the expense of income". This tendency is exacerbated by a focus on tax minimisation among farmers rather than on income maximisation. Having converted income into capital for various reasons the farmer is unable easily to reconvert the asset for consumption purposes. Vincent et al suggest that

Current income and current wealth together provide a more functional measure of welfare, because the possession of assets gives access to loanable funds which can be used by an individual to increase his command over goods and services. (Vincent et al. 1975, p83)

However, this is not a realistic assumption. As Hefford points out:

most lenders expect loans to be repaid over some specified period: in fact, it is inconceivable that private institutional lenders would be willing to provide advances for consumption purposes, allowing indebtedness to grow, year after year, with no prospect of repayment

prior to the death or retirement of clients and ultimate sale of their farm assets. (Hefford 1985, p288)

If farmers are receiving inadequate returns from their investment in land, they could perhaps be expected to remove their capital from farming and reinvest in an activity which produces higher returns. This response to low incomes is rare among family farmers, resulting in delays in the adjustment of the sector to declining terms of trade. Then Director of the Bureau of Agricultural Economics, Stuart Harris, explained in 1970:

If farmers transferred quickly to alternative occupations when their incomes reached relatively low levels, the supply of agricultural products would better adjust itself to commercial demand and, while the prices of the non-labour resources in agriculture would also fall, average farm incomes would be maintained at levels closer to those obtainable elsewhere. For various reasons, farmers tend not to leave agriculture until forced out by low levels of income and/or high debt. (Harris 1970)

The continued failure of farmers to respond to adjustment pressures over the thirty years since these remarks were made is illustrated by the existence of the various forms of the Rural Adjustment Scheme and its successor programs analysed in this thesis.

Government concern with farm poverty is therefore not new; it has been a feature of Australian agricultural policy for many years. Mauldon and Schapper report that, in the late 1960s and early 1970s, "[i]nadequate income for a large and growing number of family farm businesses was a major feature of agriculture" (Mauldon and Schapper 1974, p109). Campbell wrote in 1980 that the increased profile of farm poverty was a result of changed community expectations about the government's role. He argued that

The reason so much is heard about rural poverty and rural reconstruction today is not so much that farmers face new problems that their forbears did not have to face, but the fact that we now live in a welfare state where governments assume responsibilities for disadvantaged citizens where they did not in former years. (Campbell 1980, p83)

This is a little misleading as rural adjustment and rural reconstruction policies, which incorporated household support components, have been a feature of Australian rural policy for decades. Nevertheless, public awareness of farm poverty has increased over the past twenty years or so for a variety of reasons, including increased focus on the welfare of farm families during the drought of the early 1990s.

Saunders and Whiteford suggest that poverty alleviation extends beyond the provision of income support underlining the "importance of **both** income support and the provision of public services in any effective strategy to combat poverty" (Saunders and Whiteford 1989, p12). The issue of equitable access to services is of particular relevance to people in rural and remote Australia and has received increased attention in recent years from both government and the National Farmers' Federation. Concerns about access to services apply to otherwise wealthy farmers as well as to those in hardship, and although the issue of equitable access to telecommunications, health and other services is important, this study focuses on the specific issue of income inadequacy and how governments have responded to the needs of the income-poor in the farming community. Improved access to services will increase the overall well-being of poor farmers, however consideration needs also to be given to the issue of low incomes which give rise to conditions of poverty.

This thesis accepts Musgrave's proposition that "[p]overty exists when the income available to the household is inadequate for essential items" (Musgrave et al. 1975, p10). Although lacking in definitional precision, given the ongoing debate about poverty mentioned above this is considered appropriate for the following consideration of government

responses to farm poverty in Australia. Musgrave et al also propose a useful typology of farm poverty which helps clarify its various forms:

*Type A poverty* which results from inadequate resources (land, capital and/or labour) so that income is low even though prices and productive conditions may be satisfactory. This problem has plagued most closer settlement schemes.

*Type B poverty* which is of a temporary nature due to a short term fall in prices or adverse seasonal conditions...

*Type C poverty* which is widespread within an industry and is of a long term or structural nature. (Musgrave et al. 1975, p9)

McKenzie (McKenzie 1985, p29) and Lawrence (Lawrence 1987, p46) identify similar forms of poverty. As will be shown in subsequent chapters, Government policies have in various ways attempted to address all three types of farm poverty.

### **Government Responses to Farm Poverty**

A number of writers have pointed to the lack of coherent rural policy in the first half of the twentieth century (Lewis 1967; Throsby 1972b). In the 1930s and 1940s Governments were clearly concerned about inadequate farm incomes and there were reports of "outright poverty in many rural areas and industries" (McKay 1972, p29) and assistance provided to farmers was "essentially a form of income relief" (McKay 1972, p23). The outbreak of the Second World War saw the introduction of organised marketing schemes and price stabilisation for agricultural products. These schemes had a range of objectives including the control of inflation, control of output and ensuring a reasonable income for producers (McKay 1972).

In 1952, State and Commonwealth Ministers with responsibility for agriculture shifted the emphasis of agricultural policy from income stability to the expansion of exports. Agriculture was seen as having a crucial role in generating the export income required to fund the import requirements of

a growing economy. In a statement which he later described as "the most important declaration of agricultural policy ever made in peace time by the Commonwealth Government" (McEwen 1959, p252), Commerce Minister John McEwen told the 1952 meeting of the Australian Agricultural Council (AAC) that

The Commonwealth Government has decided to adopt as its policy objective a Commonwealth-wide programme of agricultural expansion not only to meet direct defence requirements but also to provide food for the growing population, to maintain our capacity to import and to make our proper contribution to relieving the dollar problem. (McEwen 1952)

The AAC announced a set of production aims with a target date of 1957-58. Due to the good conditions prevailing in agriculture in the early fifties these targets were in fact met by 1955-56 (McEwen 1959). Concern about farm income levels continued to be addressed by guaranteed minimum prices to producers.

In light of difficulties in the wool and wheat industries and widespread drought in the late 1960s, the Bureau of Agricultural Economics undertook an inquiry into *The Immediate and Longer Term Needs for debt reconstruction and farm adjustment with special reference to the sheep industry* (BAE 1971). This report provided background for the development and implementation of the 1971 Rural Reconstruction Scheme. The legislation stated that "the over-riding objective is to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved". In 1972, Throsby reported that "the emphasis of policy has shifted more to the traditional welfare considerations of maintaining and stabilizing farm incomes" (Throsby 1972a, p13).

The Henderson inquiry into poverty in the early 1970s concluded that "much of the chronic poverty among farmers is due to the inability of farmers

to adjust to changing economic circumstances". While including a caveat about the measurement of farm incomes, the Commission concluded that between 5.7 and 7.3 per cent of farmers had incomes below 20 per cent of the poverty line after housing costs and a further 5.5 to 5.6 per cent were living on between 20 and 100 per cent of the poverty line after housing costs (Henderson 1975, p179). Accordingly, the Report suggested that short term income support measures should be provided for farmers undergoing structural adjustment or exiting farming. The Commission explained that its "primary concern [was] to advocate a set of policies that promote[d] individual welfare, on an equitable basis, and farm efficiency" (Henderson 1975, p184). It went on to express its suspicion that "practically all farmers with low incomes which cause the family to be in poverty are in need of long-term [adjustment] assistance" (Henderson 1975, p185). This tendency to address farm poverty in terms of structural adjustment policy has been a consistent feature of Government policy towards farm poverty for several decades. Even after a shift in the direction of government rural adjustment assistance from income support to adjustment support in the 1970s, the various programs included household support components aimed at helping farmers meet the day to day expenses of the family unit. The prominence of welfare objectives in these schemes has been a matter of debate with some reviews suggesting that rural adjustment type schemes were the most appropriate means for delivering such support (Henderson 1975; DPRTF 1990), while others have urged the separation of adjustment and welfare objectives (Synapse Consulting (Aust) Pty Ltd 1992; McColl et al. 1997).

The standard social security safety net is not tailored to deal with either the self-employed or the asset-rich/income poor. Farm land is generally a low-yielding investment and it is not easily liquidated. Selling off part of a



property to overcome low income problems is not a realistic option as reducing the size of the land holding is likely to reduce further the farm's long-term viability. In addition, finding a buyer for very small parcels of land is problematic, particularly during a downturn. The assets test which has been applied to social security payments since the mid 1980s is therefore a major obstacle to farmers' accessing support. During the drought of the 1990s, many farmers' spouses who were genuinely available and looking for employment were unable to gain the unemployment benefit due to the value of the farm, even if it was not generating any income. The hardship provisions within the social security system required that the farm be placed on the market before the assets test could be waived, a course of action with little appeal. The uncertainties of farming also create problems. After years of treating drought as a natural disaster and compensating farmers accordingly under the Natural Disaster Relief Arrangements, 1989 saw a shift to an official position that drought is a normal feature of the farmer's operating environment and should be managed like any other risk, such as fluctuations in commodity prices.

Responding to farm welfare needs poses particular problems for policy makers. The direction of rural policy over the past decade or so has been driven by economic liberalism and the pressures of international competition, leaving little scope for addressing seriously the welfare impact of these policies. The Industry Commission summed up the dilemma of addressing farm poverty in this climate in its submission to the 1996 mid-term review of the Rural Adjustment Scheme: "[t]he obvious danger with income support is that it could undermine the incentives of farmers to adopt their own risk management strategies" (Industry Commission 1996, p57).

As there had been in the past (BAE 1971; IAC 1976; IAC 1977; IAC 1978; IAC 1984), there were numerous reviews of Government policy towards rural adjustment and farm welfare over the decade from 1989 (DPRTF 1990; Synapse Consulting (Aust) Pty Ltd 1992; Senate Rural and Regional Affairs and Transport References Committee 1994b; McColl et al. 1997). Although these reports are replete with sympathetic references to the difficulties experienced by farm families, the underlying message remains consistent with an overall policy direction of reduced Government intervention and increased self-reliance. None of the inquiries over the period questioned the underlying paradigm that farming is a business and should be managed as such, with drought treated like any other business risk. The key words which sum up this approach are productivity, sustainability (both economic and ecological) and self-reliance, with government support targeted at farmers with prospects of long term profitability — and emergency assistance only available in exceptional circumstances. For example, the Senate Inquiry into *Rural Adjustment, Rural Debt and Rural Reconstruction* was “convinced that sound financial and management skills are the key to a robust, profitable and flexible farm sector”. The Committee also expressed the view that “individual landholders within rural industries should be responsible for preparing and managing for variable climatic, seasonable and industry conditions” (Senate Rural and Regional Affairs and Transport References Committee 1994b, p xi).

This emphasis on farming purely as a business undertaking is not consistent with the way farmers have traditionally viewed their roles (Halpin and Martin 1996, p12). Farming is seen by many farmers as a way of life which encompasses more than the business (Mauldon and Schapper 1974; Share et al. 1991; Bryant 1992; Lawrence et al. 1992; Gray et al.

1993). Departure from farming is somewhat different from job transition in other occupations as it frequently involves loss of the family home, and with it in many cases several generations of family history. If the farmer cannot find employment in the local town, which is likely, farm exit is also often accompanied by the loss of social networks as the family is forced to relocate. As Gray et al express it

Leaving farming is not merely a career change. For those who have inherited the farm, it involves loss of birthright, loss of social status and community contact and loss of access to a satisfying career and quality of life. (Gray et al. 1993, p16)

Although some of the uncertainties and challenges of farming are shared by other occupations, such as artists, miners and other self-employed, the combination of factors such as the nature of their asset, attachment to the land and variable climate arguably places farmers in a category of their own.

In spite of the non-economic factors influencing farmers' behaviour, policy makers have focused consistently on economic objectives in constructing responses to farm poverty. Geoffrey Lawrence places this rural policy approach in a broader framework in his 1987 book *Capitalism and the Countryside*. This work examines the so-called rural crisis against the background of the increasing dominance of economic liberalism in the public policy debate. His central thesis is that free market economics is incompatible with family farming as it has been practised in Australia to date, arguing that the "ideology and economic policies of the New Right offer little salvation for the family-farm sector of Australian agriculture" (Lawrence 1987, p97). This perspective raises some important questions about the direction of Australian rural policy and the representation of the interests of the small, family farmers who make up around 80 per cent of the farming community. Lawrence's critique of the Rural Adjustment Scheme

and its predecessors continues his argument that recent Government policies have not supported the family farm, suggesting that there "was never much doubt about the overall aim of the schemes: it was to redistribute farm resources among fewer farmers as a means of improving the economic efficiency of the farm sector" (Lawrence 1987, p193). He goes on to argue that "[w]hile the schemes provided a measure of welfare assistance, they were primarily used as an economic lever to dislodge the low-income producer from agriculture".

Other writers take a more sanguine view of the direction of rural policy in Australia over the period under review, tending to adopt the language of economics in their defence of structural adjustment policies. Stayner argues against the provision of income support through farm business programs in just these terms.

It is inappropriate and distorting for governments to attempt to treat the welfare problems of farm people by recourse to intervention in the markets for farm inputs ... and output, that is, by measures aimed at farm businesses. (Stayner 1996, p163).

In a later study undertaken for the Rural Industries Research and Development Corporation on farm welfare service delivery, his perspective is even more explicit.

It is important that one continuing objective of farm policy be to improve the efficiency of farm businesses, so that the industry continues to be a major contributor to the economic performance of the nation. (Stayner 1998, p2)

Musgrave takes a similar view, suggesting that "the persistence of low farm income problems could be an indication that adjustment is not occurring fast enough" (Musgrave 1990, p250). Sorenson concurs, suggesting that "the only lasting solutions lie with getting stressed farmers to leave the land and with raising the profitability of agriculture" (Sorenson 1993, p287).

One of the key dilemmas of rural policy in Australia is how the structural adjustment of agriculture sought by industry policy makers can be achieved in the face of strong emotional attachments to farming as a lifestyle by many of those at whom policy is aimed. The sociological literature contains much evidence that farmers will endure extreme financial hardship rather than consider the possibility of leaving the farm. As Share et al describe this tendency,

[w]hilst rationalist economics predict that market forces will remove the inefficient and leave bigger but leaner farmers, sociological evidence suggests that farmers on poverty level incomes do not necessarily obey 'rational' economic logic. (Share et al. 1991, p10)

Other writers agree with this conclusion (Campbell 1980; Stayner 1996; Special Rural Task Force 1997).

Apart from the Henderson Inquiry (1975), the social welfare literature has paid scant attention to the plight of farm families in poverty. Saunders notes that "the self-employed are often excluded from research on poverty" (Saunders 1994, p24). While providing useful insights into Australian welfare policy, general works on the Australian welfare system reflect this oversight (Graycar 1979; Beilharz et al. 1992; Jones 1996).

### **Government Support for Rural Adjustment**

The Commonwealth Government first became involved in developing policies in response to rural adjustment pressures with a debt reconstruction and farm build up scheme in 1935. Since that time there has been a variety of rural reconstruction and rural adjustment schemes, the most recent ending in 1997 following a review of the 1992 version of the Rural Adjustment Scheme. Early schemes, which were run predominantly by Coalition governments, were aimed at supporting farm incomes. From about the mid 1970s the focus began to shift from income support and

assistance based on financial need to enhancing the economic performance of the farm sector by emphasising productivity and sustainability and improved farm management. By 1990 this shift was being clearly articulated as Government policy for the farm sector. The approach was based on the principle of self-reliance, terminology which appealed to the self-image of the rugged, individualist farmer. The implications of this policy were that

governments should not interfere to distort market prices or outputs. Government policy must work within the confines of the marketplace, by removing distortions or disincentives to appropriate activities, and by providing positive incentives where markets fail to provide sufficient inducements to act in the community interest. (DPRTF 1990, p9)

### **The Structures and Institutions of Australian Agriculture**

Constitutionally, agriculture comes mainly within the purview of the States, with the Commonwealth's involvement being through overseas marketing, such as commodity agreements, international trade agreements, and the operation of the quarantine service with respect to imports and the provision of inspection services with respect to exports. Through grants to the States, the Commonwealth has also become involved in natural disaster relief, land and water development projects and rural reconstruction/rural adjustment schemes (Harris et al. 1974, p36). With respect to the latter, the national Government's involvement in agriculture has involved the transfer of substantial sums of money to the States for this purpose. For example between 1992-93 and 1995-96, \$604m was spent through the Rural Adjustment Scheme alone, of which well over half were Commonwealth funds (McColl et al. 1997, p54).

The Commonwealth-State relationship with respect to agriculture is managed through a Ministerial Council set up in 1934 as the Australian

Agricultural Council (AAC). The AAC is the oldest of the Commonwealth-State Ministerial consultative arrangements and it operated under that name until 1992 when the inclusion of the New Zealand Minister for Agriculture and Fisheries necessitated a name change to the Agriculture Council of Australia and New Zealand (ACANZ). In 1993, following a series of amalgamations of Ministerial Councils initiated by the Commonwealth Government, ACANZ became the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ). ARMCANZ meets on a regular basis to discuss policy issues of shared interest between the States and the Commonwealth.

Servicing the Ministerial Council is a Standing Committee of officials, previously the Standing Committee on Agriculture but known since 1993 as the Standing Committee on Agriculture and Resource Management (SCARM). SCARM provides a forum for regular contacts between officials in the State and Commonwealth agriculture departments and establishes Working Groups to address particular policy issues as they arise. For example, the bulk of the work on developing the National Drought Policy in 1991 and 1992 was undertaken by officials from State and Commonwealth Departments comprising such a Working Group.

Within the Commonwealth bureaucracy, agriculture has been covered by a number of different institutional arrangements. A separate Primary Industries portfolio was first established in 1956, prior to which responsibility for agriculture had rested with the Department of Commerce and then the Department of Commerce and Agriculture (Grogan 1968). For most of the period under review (1989-1998) the responsible agency was the Department of Primary Industries and Energy (DPIE). Following the 1998 federal election, the responsibility for the resources and energy

industries were removed from the Department and it was renamed as Agriculture Fisheries and Forestry — Australia (AFFA). For many years the Commonwealth portfolio has included a number of research bureaux which have carried out research on policy related issues. The Australian Bureau of Agricultural and Resource Economics (ABARE - formerly the Bureau of Agricultural Economics), the Bureau of Rural Sciences (previously the Bureau of Resource Sciences prior to the 1998 Departmental reorganisation) and the Australian Geological Survey Organisation (previously the Bureau of Mineral Resources) have all contributed to the policy development process at Commonwealth level.

Also involved with the development of structural adjustment policy for the farm sector is the National Rural Advisory Council — known as the Rural Adjustment Scheme Advisory Council (RASAC) until 2000. RASAC was set up under the *Rural Adjustment Act 1992* to advise the Commonwealth Minister on the operation of the Rural Adjustment Scheme and on the structural adjustment needs of rural Australia. RASAC's membership included representatives of the State and Territory Governments, the State Rural Adjustment Authorities, the National Farmers' Federation and the Australian Bankers' Association, along with other members with relevant special expertise.

The major interest group representing farmers at Commonwealth level is the National Farmers' Federation (NFF), formed in 1979. As its name suggests, the NFF is a federation of State-based farming organisations, such as the New South Wales Farmers' Association, the Victorian Farmers' Federation and the South Australian Farmers' Federation. The NFF structure includes a number of commodity councils, for example the Grains Council of Australia and the Cattle Council of Australia, whose membership



is drawn from the commodity groups or committees of the constituent State bodies. Some commodity groups, such as the Pork Council of Australia, operate outside the NFF structure as affiliates of the Federation. The NFF is well resourced and has a high profile on issues of concern to the organisation. Apart from the NFF, there is a number of much smaller groups representing farmers on various issues such as the Australian Women in Agriculture, the Isolated Children's Parents Association and the Country Women's Association. None of these groups has the resources or profile of the NFF and, as a result, the latter remains the major voice for farmers on rural policy.

### **Scope and structure of the thesis**

Since the 1930s the Commonwealth Government has been involved, through a variety of schemes, in the delivery of support to farmers who are responding to adjustment pressures. However, no detailed analysis of these policy approaches has been undertaken by political scientists. Writing on rural adjustment policy has been either sociological, focusing on the impact of the rural crisis on farm families and communities, or the work of agricultural economists whose area of interest is the response of the sector to the pressures of declining terms of trade and international competition. Writers such as Gray and Lawrence (1996), Bryant (1991; 1992), Gray et al (1993), Lawrence (1987) and, much earlier, Mauldon and Schapper (1974), have examined how Australian farm families react to the pressures on their businesses and their way of life. The alternative approach to assessing rural policy is demonstrated by writers who focus on the soundness of the policy approaches, in economic terms, and give little attention to the impact of these policies on the ground and the possibility that they may not be effective when considered in a broader context than economic efficiency. This perspective is taken by Burdon (1996a; 1996b),

Campbell (1980), Musgrave (1990), Sorenson (1993) and by the series of Senate Inquiries into rural adjustment policy (Senate Standing Committee on Rural and Regional Affairs 1992; Senate Rural and Regional Affairs and Transport References Committee 1994b; Senate Rural and Regional Affairs and Transport References Committee 1995c; Senate Rural and Regional Affairs and Transport References Committee 1995b).

Among political scientists, work has been done on rural issues in the areas of rural politics (eg Warhurst 1990), pressure groups (eg Warhurst 1985; Trebeck 1990; Halpin 1997; Halpin and Martin 1999), political parties (eg Costar and Woodward 1985) and on rural policies more specifically (eg Gerritsen 1991). An area of some neglect, however is the policy development process which underpins rural programs.

This study sets out to undertake two related tasks. It examines the policy development process in the area of farm poverty in Australia between 1989 and 1998. In so doing, it identifies inadequacies in the process which appear to have undermined the effectiveness of government programs set up to respond to low farm incomes. This thesis will argue that Government responses to farm poverty between 1989 and 1998, while well intentioned, were muddled. Faced with conflicting objectives, the agriculture portfolio constructed a series of complex schemes which attempted to reconcile the concern to alleviate poverty among farm families with the objective of ongoing structural adjustment in the farm sector. It will be argued that the policy development process underpinning farm welfare programs has been incremental, and that it has been hampered by inappropriate organisational arrangements within the Commonwealth bureaucracy and the lack of effective interest groups to speak for farm families in poverty. The impact of economic liberalism on the policy environment will be examined and the

values inherent in this policy paradigm will be compared with the agrarian attitudes held by many farmers. In light of the incremental nature of the policy process, the thesis utilises Charles Lindblom's model of policy development as an explanatory tool. It is not an attempt to canvass the wide range of public policy models, although in particular places the work of other policy-oriented scholars is drawn on.

Following this introductory chapter, *Chapter Two* considers how policy is made and outlines the general policy climate in Australia in the 1980s and 1990s. *Chapter Three* and *Chapter Four* outline the series of Government responses to farm poverty over the period 1989 to 1998. This period was chosen as it commences with the removal of drought from the Natural Disaster Relief Arrangements, marking a major shift in drought policy, and ends a decade later, following a prolonged drought, a change of government and the development of numerous programs attempting to address farm poverty. *Chapter Five* looks at the involvement of the Department of Primary Industries and Energy (DPIE) and its successor Agriculture, Fisheries and Forestry Australia (AFFA) in developing responses to farm poverty and explores how the organisational arrangements for farm welfare within the Commonwealth may have influenced policy outcomes. *Chapter Six* and *Chapter Seven* examine the effectiveness of interest groups and political parties respectively in representing the interests of poor farmers. *Chapter Eight* considers the impact of ideas on the policy process. It identifies some of the problems that can arise when the policy process is dominated by a particular paradigm, and how policies may be ineffective if they do not take account of relevant values. *Chapter Nine* returns to the policy process and makes the distinction between how policy is made and how it should be made. Drawing on the previous chapters, it looks at incrementalism as a normative

model and identifies some shortcomings in this approach. The concluding chapter draws all of these elements together and suggests that Commonwealth Government responses to farm poverty between 1989 and 1998 provide a valuable case study of the risks associated with incremental policy development when an interest is not represented in the policy process. Key issues relating to farm poverty are consistently bypassed rather than confronted head on by policy makers and this raises the question of the apparent conflict between policy goals within the agriculture portfolio. This study also highlights the tendency of economic liberalism to focus on means rather than ends, exposing a gap in Australia's political debate about the future of agriculture.

At the heart of the issue of farm poverty lie some fundamental judgements about family farming in Australia and its value to the community — both economically and as part of the national ethos. Stayner recognises this when arguing that

it is important that any non-economic objectives and rationales [for adjustment policy] be more explicitly stated. This should include the explicit statement of the social, cultural and economic values which the farm sector is held to enshrine and transmit. (Stayner 1996, p194)

The free market policies pursued by Australian governments in recent years, and advocated by the NFF, have resulted in a reduction in the number of small farms and an increase in larger operations (McColl et al. 1997, p viii). Kingma describes an "inbuilt tendency" within the free market "towards large scale production, a high division of labour and the demise of smaller farmers" (Kingma 1985, p2). However, whether this spells the demise of *family* farming is debatable — it may mean a new form of family farming (Schapper 1972; Lees 1997; McColl et al. 1997). This issue needs to be discussed in the public arena and the balance between the economic

and non-economic objectives of rural policy needs to be agreed and made explicit.

In other areas of government policy, the Cabinet mediates between Ministers representing different interests. Each Minister has an area of responsibility for which he/she is an advocate, arguing the merits of a particular proposal from his/her Departmental perspective. This allows issues which involve community values to be debated by elected politicians around the Cabinet table. On farm welfare, the balance between the welfare needs of farm families in poverty and the need for structural adjustment in agriculture has been struck within one department, often within one Branch of that department. There is no high profile debate nor any real public discussion of the trade-offs inherent in the policy positions being developed. Campbell summed up the dilemma facing policy makers as follows:

On the one hand, it can be argued that if these people will not follow the clearly indicated rational course of action and quit the land, there is a limit to which governments should continue to supplement their sustenance. On the other hand, many of these farmers in this category are over 50 years old and have little prospect of finding any alternative livelihood if they leave the land, particularly if the general unemployment rate is high. (Campbell 1980, p176)

Comstock suggests, in the US context, that there are moral arguments for saving the family farm and that these carry with them an obligation to develop "a workable plan to save it" (Comstock 1987, p399). Australian policy makers have yet to have this debate. Without it, policy makers will continue to muddle through, fine tuning and amending existing farm welfare policies while not recognising the fundamental issues. This thesis argues that incremental policy development has failed to produce effective responses to farm poverty as many of the safeguards associated with incrementalism, such as effective interest groups, are missing from the rural

policy process when farm poverty is under consideration. It is time that policy makers initiated a public debate about the future of family farming in Australia and worked towards more effective policies to address farm poverty than those which have been pursued for decades. Understanding how the policy development process itself has impacted on the effectiveness of policy and program outcomes is an important first step.

The work in the following sections – Chapters Three and Four of the outline which were developed in response to farm poverty from 1982 to 1988. The development of the policy to date is an important first step in the development of the policy to date. It is important to understand the role of identifying the concept of farm poverty in government policy and how they have been used. The concept of farm poverty is a complex one, and it is important to understand the role of identifying the concept of farm poverty in government policy and how they have been used. The concept of farm poverty is a complex one, and it is important to understand the role of identifying the concept of farm poverty in government policy and how they have been used.

One of the most important contributions to the development of the concept of farm poverty was Charles Lindholm's 1980 article, "The Future of Farming in Australia" (Lindholm 1980) in which he provided a discussion of farm poverty development. Although it is nearly half a century since its publication, the article contains insights into policy making which are relevant to the current discussion and Lindholm's discussion of farm poverty has been widely discussed as an excellent summary of farm policy's impact on the development of farm poverty. Lindholm's 1980 article was followed by a number of other articles, including Lindholm and Wright (1982), Wright and Lindholm (1982), Wright and Lindholm (1983), Lindholm (1984), Lindholm (1985), Lindholm (1986), Lindholm (1987), Lindholm (1988), Lindholm (1989), Lindholm (1990), Lindholm (1991), Lindholm (1992), Lindholm (1993), Lindholm (1994), Lindholm (1995), Lindholm (1996), Lindholm (1997), Lindholm (1998), Lindholm (1999), Lindholm (2000), Lindholm (2001), Lindholm (2002), Lindholm (2003), Lindholm (2004), Lindholm (2005), Lindholm (2006), Lindholm (2007), Lindholm (2008), Lindholm (2009), Lindholm (2010), Lindholm (2011), Lindholm (2012), Lindholm (2013), Lindholm (2014), Lindholm (2015), Lindholm (2016), Lindholm (2017), Lindholm (2018), Lindholm (2019), Lindholm (2020), Lindholm (2021), Lindholm (2022), Lindholm (2023), Lindholm (2024), Lindholm (2025).

## CHAPTER TWO: THE POLICY PROCESS

There has been ongoing debate in the political science literature about how policy is actually made, how it should be made, and whether the process is rational and logical or a sort of intelligent "muddling through" (Lindblom 1959). This chapter discusses that debate and then examines the general policy development process in Australia in the 1980s and 1990s, setting the scene for the following account in Chapters Three and Four of the policies which were developed in response to farm poverty from 1989 to 1998. The question of how policy is made is an important one and can assist analysts in the task of identifying the strengths and weaknesses in government policy and how they came about. Although much of the discussion is familiar to political scientists, it is worth revisiting as it casts light on the case study which follows.

One of the seminal contributions to the discussion was Charles Lindblom's 1959 article, "The Science of "Muddling Through"" (Lindblom 1959) in which he provided a description of the policy development process. Although it is nearly half a century since its publication, the article still contains insights into policy making which are valuable to analysts and Lindblom's description of incrementalism has been widely accepted as an accurate summary of how policy is made in the real world (Wildavsky 1979; Hogwood and Peters 1983; Hogwood and Gunn 1984; Hayes 1992; Weiss and Woodhouse 1992; Ham and Hill 1993; Albaek 1995). He expanded on the model in later work (Braybrooke and Lindblom 1963; Lindblom 1964; Lindblom 1965; Lindblom 1979; Lindblom 1982; Lindblom and Woodhouse 1993). The 1959 article has been reprinted in about 40 anthologies (Bendor 1995, p819), is "one of the most highly cited articles in the *Social Science Citation Index*" (Weiss and Woodhouse 1992, p267) and has been described as one of the "classics" (Curnow 1988, p320) and "one of the

most influential and most widely read articles written in recent decades" (Lessman 1989, p453). Attempts have been made to formalise the model mathematically (Bendor 1995) and it has been drawn on to explain policy development in areas as diverse as the Budget process in pre-reunification West Germany (Lessman 1989) and the utilisation of social science research in public policy making (Albaek 1995).

The following sets out the key arguments about how policy is made in the real world and these will then be tested against the case study which follows. Chapter Nine will then return to Lindblom's model and, in the light of the discussion of Australian government responses to farm poverty, critically examine its normative value, identifying facets of the model which to date have received little attention.

### **The Policy Process – synopsis or incrementalism**

#### *Rational-comprehensive policy making*

Wiltshire has described the rational policy making process as "that golden fleece of public administration" (Wiltshire 1990, p28), based on the perception that good policy arises from an organised, orderly and structured process. The rational-comprehensive model suggests that policy makers seek to apply a scientific approach to decision making. Good policy is arrived at through a process which encompasses the setting of objectives and priorities, the collection of information, and the construction of options which are measured against the objectives, thereby arriving at the answer to the policy problem. This approach has been described as being "deeply rooted in Western thought" (Forester 1984, p24) and part of the "mastery-via-understanding tradition of Western civilization" (Weiss and Woodhouse 1992, p267).



Although intellectually appealing, complete rationality in decision-making has been recognised by many writers as an unachievable ideal. Simon explains:

Rationality implies a complete, and unattainable, knowledge of the exact consequences of each choice. In actuality, the human being never has more than a fragmentary knowledge of the conditions surrounding his action, nor more than a slight insight into the regularities and laws that would permit him to induce future consequences from a knowledge of present circumstances. (Simon 1953, p81)

Charles Lindblom's 1959 paper pointed to the gap between the rational-comprehensive model of how policy was made and the practice of real life policy administrators. He rejected the concept that policy could be developed in a rational, or in his words "synoptic" manner, arguing that the policy analyst's cognitive limitations combined with resource constraints made this approach to policy development unattainable (Lindblom 1959). Lindblom rejected the rational model's assumption that objectives and values are determined before policy options are considered, on the basis that agreement could never be reached on the values to serve as the criteria for decision. Even if such agreement could be achieved, the relative weight given to the range of objectives could not be determined. He argued that, in reality, the objectives to be achieved are determined at the same time as policy options are selected: "one simultaneously chooses a policy to attain certain objectives and chooses the objectives themselves" (Lindblom 1959, p82). Related to this point, Lindblom argued that the real world policy maker does not search for the best means to reach agreed ends. The test of "good" policy therefore becomes, not an assessment of whether the means achieve the ends, but whether there is agreement on the policy (the means) itself.

Criticism of the practicality of complete rationality has been generally accepted. Gordon et al describe it as a "dignified myth" (Gordon et al. 1993, p8) while Albaek suggests that

The rational decision-making model is an idealized model ... its basic demands on a rational decision-making process are misleading, impracticable and inappropriate, and on the whole fundamentally irreconcilable with the way decisions are made in the real world. (Albaek 1995, p83)

John argues that

Even if the political system could adopt a rational decision-making strategy, the costs of reaching the standards required would probably paralyse decision-making processes, frustrate the groups involved in the policy process and limit the opportunities for policy-learning. (John 1998, p125)

Simon suggests in the passage quoted above that the problem is even more fundamental than lack of time and resources — the limitations of human cognitive capacity. Lindblom describes this problem succinctly: "The human condition is small brain, big problems" (Lindblom 1977, p66).

In spite of these criticisms, Ham and Hill suggest that the ideal of rational decision-making is alive and well and point to the introduction of such management techniques as program budgeting as examples of attempts to pursue rationality (Ham and Hill 1993, p87). These attempts have met with mixed success. Writing of the New Zealand experience with program planning and budgeting, Boston and Pallot explain:

Even in the best-managed organizations, formal planning systems seemed to degenerate into medium-term control mechanisms largely divorced from the issues of strategic choice and organizational action... Governments faced additional problems including a lack of high level political/bureaucratic support, interagency rivalries, the tendency for longer term considerations to be crowded out by short-term political crises, and a failure to integrate strategic, budgetary, and performance management systems. Not surprisingly, given the sheer scope, scale, and complexity of governmental activity, the resources available to carry out the necessary analysis proved inadequate. (Boston and Pallot 1997, p384)

In addition to being unattainable, the rational-comprehensive model is seen by Davis et al as facing other "important constraints", which happen to be of particular relevance in a policy area such as farm poverty, due to the high level of non-rational factors which drive farmer behaviour:

These include a bias toward variables which can be measured, the arbitrary costs attributed to some variables and the danger of the technical overwhelming the ethical. (Davis et al. 1993, p163)

### *Bounded rationality*

Having rejected the pure rational-comprehensive model as unattainable, theorists have suggested more realistic explanations of how policy is developed. Simon does not reject rational decision making completely but suggests that limits are set on the field of policy search to make the problem more manageable.

Simon makes the distinction between means and ends. He argues that "whereas reason may provide powerful help in finding means to reach our ends, it has little to say about the ends themselves" (Simon 1983, p7). Therefore, if the ends are predetermined, rational decision making processes can be applied to arrive at the one correct answer to the problem (Simon 1944, p19). As Simon points out, however, the means-ends distinction is not clear cut, with some ends proving instrumental to more final objectives:

We are thus led to the conception of a series, or hierarchy, of ends. Rationality has to do with the construction of means-ends chains of this kind. (Simon 1953, p62)

The question of values in policy making is important and will be addressed in a subsequent chapter.

The concept of restricting the area of search is referred to by Simon as "bounded rationality" — the decision making process is rational within certain limits set by an organisation's goals, the ability to pursue those

goals and availability of information surrounding the decision-maker's action. These bounds are not necessarily "rational", incorporating irrational and non-rational elements. However, once they are set, Simon argues "[t]wo persons, given the same possible alternatives, the same values, the same knowledge can rationally reach only the same decision" (Simon 1953, p241).

Like Simon, Kenneth Arrow does not reject synopsis completely. He argues that "from a purely formal point of view, the presence of uncertainty does not destroy the synoptic ideal" (Arrow 1964, p585) He also calls for the bounding of the decision making process,

In short, I would argue that in any given problem area, we should create as well as we can a closed system of values and facts and act as if it were more or less the whole truth. In reality, it will not be, and in time we will know it not to be. (Arrow 1964, p587)

In explaining bounded rationality, Simon suggests that the parameters are set by the organisation within which the decision-maker operates. He argues,

One function that an organization performs is to place the organization members in a psychological environment that will adapt their decisions to the organization objectives, and will provide them with the information needed to make these decisions correctly. (Simon 1953, p79)

The organisation removes the requirement to be completely comprehensive and limits the search area to a manageable size:

If an administrator, each time he is faced with a decision, must perforce evaluate that decision in terms of the whole range of human values, rationality in administration is impossible. If he need consider the decision only in the light of limited organizational aims, his task is more nearly within the range of human powers. (Simon 1944, p22)

If decisions are made within the boundaries set by the organisation, reflecting its priorities and value system, this raises the question of which organisation should make which decisions. An examination of the

development of responses to farm poverty in Australia suggests that, by placing responsibility for a particular issue in an inappropriate organisation, resulting decisions could also be inappropriate. Where the issue under consideration is not part of an agency's "core" business, the location of policy responsibility in a particular portfolio can adversely influence the outcome of the policy development process. Gordon et al write that

It has been suggested that in every government department there are 'deep structures' of policy — the implicit collection of beliefs about the aims and intentions of the departments and about the relevant actors who influence or benefit from the policy (Gordon et al. 1993, p9)

Lindblom also recognises the potential impact of the allocation of policy responsibility on the weighting given to particular values (Lindblom 1965, p238). As will be shown below, the approach of the Department of Primary Industries and Energy, which had policy responsibility for farm poverty, suggests that its 'deep structures' were not well-suited to coping with a welfare issue, in spite of the good intentions of individual officers within the Department working on the problem. The situation was compounded by organisational objectives which were apparently in conflict with each other.

In addition to limiting the area of policy search, Simon suggests that policy makers arrive at their decisions by "satisficing", ceasing the search for a solution once the first satisfactory answer has been found — it may not be the optimum outcome but it will suffice. With March, Simon argued that

*Most human decision-making, whether individual or organizational, is concerned with the discovery and selection of satisfactory alternatives: only in exceptional cases is it concerned with the discovery and selection of optimal alternatives.* (March and Simon 1958, p141 — italics in original)

Simon also argues that this satisficing approach assists in balancing conflicting values:

Reconciling alternative points of view and different weightings of values become somewhat easier if we adopt a satisficing point of

view: if we look for good enough solutions rather than insisting that only the best solutions will do, it may be possible — and it often is possible — to find courses of action that almost everyone in society will tolerate, and that many people will even like, provided we aren't perfectionists who demand an optimum. (Simon 1983, p85)

In an article on the time pressures facing top Washington officials, Adams provides the following description of the policy process, one which neatly illustrates the satisficing concept:

The question before them is not: "what is the best policy for the nation?," but rather "what is the best policy I can come up with by Tuesday that Congress would take seriously?" (Adams 1979, p549)

### *Incrementalism*

Lindblom's rejection of the rational ideal is more final. He sees it as completely utopian and believes that attempts to pursue synopsis will result in poor decision making as important considerations are inevitably overlooked. Instead of aspiring to rationality, Lindblom describes a system of strategic, incremental policy-making through which the policy maker *knowingly* addresses only part of the problem at any one time, intending to return later to address both issues deliberately overlooked by previous decisions and unintended consequences of earlier policies. Following on his concern about the limited human capacity to undertake synoptic decision making Lindblom, like Simon, suggests that in order to arrive at a policy, analysts need to simplify the problem at hand. Lindblom's 1959 article, mentioned above, was an attempt to formalise a model which more closely resembled real policy analysis and recognised that policy was actually developed through a process of strategic "muddling through" or "*successive limited comparisons*". Lindblom summarised his model as follows:

Selection of value goals and empirical analysis of the needed action are not distinct from one another but are closely intertwined.

Since means and ends are not distinct, means-ends analysis is often inappropriate or limited

The test of a "good" policy is typically that various analysts find themselves directly agreeing on a policy (without agreeing that it is the most appropriate means to an agreed objective).

Analysis is drastically limited:

- i) Important possible outcomes are neglected
- ii) Important alternative potential policies are neglected
- iii) Important affected values are neglected.

A succession of comparisons greatly reduces or eliminates reliance on theory. (Lindblom 1959, p81)

Lindblom suggests that policy makers make their task manageable by limiting the search for the agreed policy to those options which differ only incrementally from policies already in place and by "ignoring important possible consequences of possible policies, as well as the values attached to the neglected consequences". This neglect is not as alarming as it appears as policy "is not made once and for all: it is made and re-made endlessly" (Lindblom 1959, p86).

Having concluded that all policy analysis and policy making is bad "even under the best circumstances" (Lindblom 1979, p519), Lindblom seeks to suggest how analysts could operate within their limitations. He bases his model on the concept of disjointed incrementalism. Policy makers compare and evaluate options which are only incrementally different from existing policies. From those possible incremental changes, they consider only a restricted number and only a limited number of consequences of the options are also considered. The process is serial and remedial, with a policy problem never solved but subject to "a never-ending series of attacks on it" (Lindblom 1965, p147) Lindblom summarises the contrast between smart incrementalism and utopian rationality as follows:

The choice between synopsis and disjointed incrementalism — or between synopsis and any form of strategic analysis — is simply between ill-considered, often accidental incompleteness on one

hand, and deliberate, designed incompleteness on the other. (Lindblom 1979, p519)

In spite of the depth of the debate over incrementalism as a normative model, there is a vagueness about the term which Lessman has identified. She makes the valid plea for clarification of the term,

the looseness of the term incrementalism ... causes confusion. Are we talking about the decision-making process, the content of policies or the outputs produced? All three categories are currently subsumed under the same heading. (Lessman 1989, p457)

This study will address all three categories.

#### *Partisan Mutual Adjustment*

In "The Intelligence of Democracy" (Lindblom 1965), Lindblom explores the role of groups in the policy community in the incremental policy process. He provides a useful description of this process with his exposition of the concept of "partisan mutual adjustment" (Lindblom 1965), a policy process in which different players interact to protect their own interests and to develop, incrementally, improved policy outcomes. Policy is not developed in large non-incremental leaps but rather in a manner which allows correction of earlier mistakes and which focuses on obtaining the agreement of partisans involved in the policy process to the *policies* produced rather than to their objectives. Lindblom rejects the need for common objectives, arguing that policy positions can be agreed by parties who are pursuing different objectives, and referring to the "useful role of conflict in mutual adjustment" (Lindblom 1965, p304). Unlike the synoptic approach, and to a certain extent that of Simon, Lindblom rejects the means-ends approach to decision-making. He argues that "such a means-ends relationship is possible only to the extent that values are agreed upon, are reconcilable and are stable at the margin" and he therefore suggests that in his model "means and ends are simultaneously chosen" (Lindblom 1959, p83).



Building on his 1959 article, Lindblom calls for diversity among the partisans participating in the policy process:

One can easily imagine a decision maker who can return in later policy steps to no more than a few of a variety of neglected adverse consequences resulting from an earlier policy step. This possibility points directly to the need for a multiplicity of decision makers, and more than that, to a multiplicity marked by great variety of attitudes and interests, so that no line of adverse consequence fails to come to the attention of some decision maker. (Lindblom 1965, p151 — emphasis added)

Under this model, policy is an outcome of the interaction of partisans who are involved in negotiation with others in the policy process — each with their own set of priorities and interests to protect. This process has been recognised by other writers (Jenkins-Smith 1988; Jaensch 1997), who describe how policy interests negotiate, persuade and lobby in order to achieve their objectives. In the process, they will adapt their position while protecting their “Deep Core” belief systems (Sabatier 1988). The process of mutual adjustment between these partisans leads to agreed policy outcomes, although, as noted above, the objectives of the policy may remain ambiguous. Lindblom and Woodhouse describe the value of interest group interaction as follows:

By bringing diverse perspectives to bear on a problem, the interest-group system frequently can help evolve a policy choice that is more intelligent than what could be accomplished by a narrower policy-making process... (Lindblom and Woodhouse 1993, p78).

Partisan mutual adjustment provides a useful explanation of how much policy is developed in Australia. Important policy issues are often discussed with key interest groups and other stakeholders to obtain their agreement prior to a formal policy announcement. In some cases, Ministers will leave the actual determination of policy to this process rather than taking an executive decision.

### *Watchdogs*

In addition to providing for a diversity of views in the policy process and thereby addressing the cognitive limitations of a single decision maker, Lindblom's partisans have a role in protecting any values that may be neglected in the process of mutual adjustment. This is a "watchdog" role, ascribed to government agencies and interest groups whose function is to protect particular interests, and in so doing to achieve a degree of comprehensiveness in the policy outcome (Lindblom 1959, p85). Lindblom explains that among agencies, each major value neglected in the process is the major concern of at least one other agency:

The virtue of such a hypothetical division of labor is that every important interest or value has a watchdog. And these watchdogs can protect the interests in their jurisdiction in two quite different ways: first, by redressing damages done by other agencies; and second, by anticipating and heading off injury before it occurs. (Lindblom 1959, p85)

In later work, Lindblom identifies agencies as one set of policy decision makers within the process of partisan mutual adjustment. He includes agencies in his discussion of watchdogs and uses government bodies as examples of his point in the text (Lindblom 1965, p156). He suggests a specific role for agencies in the protection of values:

For many values an allocation of authority to an agency, sometimes the creation of a new agency, will assign specific responsibility for the protection or pursuit of that value... (Lindblom 1965, p230)

In the 1959 piece, Lindblom extends the watchdog role to interest groups as well, arguing that

Almost every interest has its watchdog. Without claiming that every interest has a sufficiently powerful watchdog, it can be argued that our system often can assure a more comprehensive regard for the values of the whole society than any attempt at intellectual comprehensiveness. (Lindblom 1959, p85)

Although he does not use the term watchdog regularly in later work, Lindblom remains concerned with the protection of a diversity of values

within the policy process. He optimistically suggests that the values of even a small group will be incorporated into policy:

In partisan mutual adjustment in the United States and in the Western democracies almost any value that any even relatively small number of citizens moderately or strongly wishes to see weighted into the policy-making process will be weighted at some value significantly above zero. (Lindblom 1965, p229)

He concedes however that this proposition is "weak" (Lindblom 1965, p229).

The importance of watchdogs is implied in the work of many writers who ascribe to these groups a key role in the process of strategic, incremental policy making. Dahl acknowledges the importance of interest representation, suggesting that "[e]ach of the major organized forces in a country prevents the others from making changes that might seriously damage its perceived interests" (Dahl 1982, p43). Jenkins-Smith accepts that interest groups exist to represent the diversity of views in the political system. He writes that :

analysts specialize in one or more complex areas, and become members of the relevant 'policy subsystem' made up of those actors who play important roles in the identification of problems, the development, dissemination and evaluation of policy options, and the implementation of policies (Jenkins-Smith 1988, p170).

Simon et al have suggested that interest groups will emerge as required,

People who are directly affected by an agency's activities will soon make themselves known, and will insist on having something to say about its activities, either in the administrative process or by bringing pressure to bear on the legislature. (Simon et al. 1991, p412)

This view of Simon reflects an assumption of a number of writers that interest groups will appear as needed, or will influence policy outcomes by virtue of their *potential* to come into being (Truman 1971; Bachrach and Baratz 1973, p26; Woodward 1985b, pp114-115). The interests of these unrepresented groups are therefore taken into account by politicians. However, as Olson suggests

This contention is rather difficult to test empirically, because, if a group does not organize and act, the analytical pluralist can say that the damage to its interests was not serious or there was in fact no group interest. (Olson 1965, p128)

Olson's concern is with the incentives that cause individuals to join interest groups, ie how individuals are stimulated to subordinate their own interests to attain the group's goal. Olson's study of organisations concludes with a small section entitled "The "Forgotten Groups" - Those who suffer in silence", in which he argues that unorganised groups are "among the largest groups in the nation" (Olson 1965, p165). Poor farmers are certainly not one of the largest groups in the nation but they remain largely forgotten within the policy community. The problem facing this group of farmers appears to be that while they are well represented by their farming organisations on a wide range of economic policy issues, such as trade policy, these organisations have been almost mute on the question of farm poverty. Olson's analysis fails to explain why a collective organisation promotes the interests of its members in one area and not another.

Hayes has described the Lindblom model as a "Political Market Model",

[i]nasmuch as policies represent an equilibrium of contending forces rather than a process of conscious decision ... incrementalism is the political analogue to the efficient and self-correcting market mechanism (Hayes 1992, pp22-23)

In his preface to *The Intelligence of Democracy*, Lindblom makes a similar point (Lindblom 1965). Some are more sceptical about the results of the interplay between different interest groups. Kelso is very critical of "laissez faire" pluralism (Kelso 1978, p6) arguing that "[a]s is true in the economic marketplace, a competitive political market is neither self-maintaining or self-correcting" (Kelso 1978, p23). Lowi also makes this comparison and points out that neither laissez-faire economics nor pluralism have "come to terms with the problem of imperfect competition" (Lowi 1979, p58).

Hayes has suggested that "there must be a rough balance of power among contending interests, so that no one actor exerts disproportionate influence over the final outcome" (Hayes 1992, p23). Dror goes further in his concerns about power imbalances, suggesting that "what is needed is positive action to strengthen the power of groups that are underrepresented in policymaking" (Dror 1968, p280). Kelso advances a similar proposition, advocating a form of "public pluralism" which involves a degree of Government management to ensure that all groups have a voice in policy making. The Government's role would include ensuring that the system remained competitive and, where necessary, "the government can act as an advocate, defending and even organizing interests like the poor or consumers who presently lack political clout" (Kelso 1978, p27). Observing that "Governments need pressure groups ... [i]f they do not exist it is necessary to invent them", Davis et al note that in Australia

state and federal governments sustain groups financially so that they can operate at [a] much higher level of activity than would otherwise be the case. (Davis et al. 1993, p145)

This role was evident in the early 1990s in rural policy when the Department of Primary Industries and Energy actively encouraged the participation of the Australian Women in Agriculture in policy making, including through the establishment of a Rural Women's Unit within the Department aimed at maximising the potential for women's groups "to work in partnership with government and industry" (DPIE 1996, p77).

Lindblom also recognised the problem of imbalance in representation, arguing that

While a proliferation of public and private groups engaging in mutual adjustment brings a remarkably wide range of interests and considerations to bear on public policy, the same process tends also to take gains for the organized at the expense of the unorganized: gains for union labor at the expense of nonunion, gains for organized

agriculture at the expense of smaller unorganized farmers, or gains for producers at the expense of consumers. (Lindblom 1977, p141)

In spite of these reservations, or perhaps because of them, Lindblom's model of the policy process provides a good starting point for the consideration of Australian government policy. It suggests that policy is unlikely to have been developed synoptically and draws attention to the importance of diverse values and the need for watchdogs to protect them in an environment of incremental policy development. As well as seeking out the watchdogs Lindblom identified within interest groups and government agencies, this study assesses whether Australia's political parties have a role in transmitting and protecting particular values. Lindblom did not explicitly address the role of parties as watchdogs, however it does not seem an unreasonable proposition that parties embody and attempt to protect particular values within the policy process. Each of Australia's political parties has historically been aligned with certain values and, in the area of rural policy, the National Party in particular would certainly seem to fit the definition of a watchdog.

This thesis will approach Lindblom's model from two angles. First, it will use the model as a framework for analysing government responses to farm poverty in the period under review in an attempt to identify how the policies were shaped. Secondly, in Chapter Nine, the study will reflect on the normative value of Lindblom's approach, in light of the case study, and suggest some circumstances in which "muddling through" may not be the best approach to policy development.

### **Policy Development in Australia**

The case study which follows examines the development of Australian government policy in response to farm poverty from 1989 to 1998 and

explores the nature of the policy development process. In so doing, it will attempt to identify problems within the process which may be hampering the development of effective policy. Before moving on to the case study, however, it is helpful to outline briefly the broader policy environment within which rural policy was developed in Australia in the 1980s and 1990s.

*The Hawke Governments (1983–1991)*

Three key features of the Hawke government which distinguished it from its predecessors were the growing influence of economic liberalism in policy development, the emergence of environmental issues on the policy agenda and the implementation of the Accord. The first two of these trends impacted directly on rural policy while opposition to the latter was an issue pursued with vigour by the National Farmers' Federation.

The last two decades of the twentieth century provided a range of challenges to Australian policy makers as they responded to a changing international economy. By the early 1980s, Keynesianism was dead or dying in much of the Western world as a guide to economic management and the election of Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States saw the emergence of first monetarist and then neoclassical approaches to economic management (Kelly 1994, p35). Although Australia returned a nominally social democratic party to power in 1983, the government policies which emerged from this time were clearly influenced by these international trends (Galligan and Singleton 1991, p xi). For example, over the course of the 1980s, the Hawke Labor government floated the Australian dollar, deregulated financial markets and initiated a program of tariff reductions. Stewart and Jennett argue that, under Hawke, "social democratic outcomes [were] generally ... sacrificed to instrumental solutions" (Stewart and Jennett 1990, p4). Commentators differ in their assessment of the increasing strength of economic liberalism in policy

development over the period. Some such as Kelly regard the changes as a necessary and welcome recognition of structural flaws in the Australian economy (Kelly 1994). Focus on economic policy "made sense" because external pressures on Australia continually created new problems (Stewart and Jennett 1990, p3). Others are more cautious, pointing to the risk of pursuing economic values to the exclusion of others (Emy and Hughes 1991; Walter 1996). Some commentators are hostile, describing the dominance of economic liberalism as "reducing the deliberative capacity of our Canberra policy apparatus" (Pusey 1993, p17) and as "anti-intellectual" (Rees 1994, p179).

As the Lindblom model suggests, ends and means were not clearly separated as the economic means became the focus of government attention. Stewart and Jennett write that the Hawke government "refrained from promoting a sophisticated debate on the social consequences of its policies in contrast with the economic debate" (Stewart and Jennett 1990, p4). This thesis will argue that the avoidance of the discussion of values and policy ends is clear in government consideration of farm poverty between 1989 and 1998.

When the Australian Labor Party won office in March 1983 under Bob Hawke, the party set out to differentiate itself from the style of the earlier Labor government of Gough Whitlam. Hawke established a "consensus" approach to government which sought to engage the major economic players in the policy process. The first stage in this process was the National Economic Summit which was held very soon after the election and which involved Australia's political, business, financial and union leaders — an event described by Paul Kelly as Hawke's "most brilliant piece of political theatre" (Kelly 1994, p65). The National Farmers' Federation



participated in the Summit, identifying the main causes of Australia's economic problems as declining international competitiveness of industry, "an inadequate profits share of national income" and wage increases which were unrelated to productivity (Davidson 1983). One of the outcomes of the Summit was the formation of the Economic Planning and Advisory Council (EPAC), "the major institutional embodiment of corporatism in Australia" (Boreham 1990, p50). EPAC was set up to "act as a vehicle for community participation in the formulation of medium to longer term economic policy" (EPAC 1985, p1). The legislation setting up the Council stipulated that EPAC's membership include one representative of "rural industry". This compared with three business representatives and four from the union movement (EPAC 1985, p2). The Council's powers included the conduct of inquiries, information collection, consultation with government and community organisations, use of consultants and the preparation of reports (EPAC 1985, p7). This approach to economic policy attracted criticism from a number of quarters as it was seen as elitist, exclusionary and inconsistent with Labor Party objectives (West 1984; Maddox 1989; Head 1997). In terms reminiscent of Lindblom's caution about imbalances in representation, West summed up the concern with the Hawke consensus as follows:

despite the emphasis on consensus decision-making at the Summit and EPAC, the Hawke Government has promoted through these bodies a new kind of political class structure in Australian society. It has created a new kind of polarisation between the organised and politically powerful on the one hand and the unorganised and politically powerless on the other; a polarisation between the big three power blocs, Government, big business and unionised labour, and the rest of us in the Australian community. (West 1984, p13)

This analysis is not universally accepted. Gruen and Grattan suggest that membership of EPAC constitutes a "relatively superficial level of involvement" in the policy process and they cite Marsh's description of the

Council as an institutional "minnow", "ancillary to the core machinery of government" (Gruen and Grattan 1993, p59).

The Hawke consensus did appear to build a type of "policy community" which dominated the policy process. This thesis does not explore fully the concept of policy communities, however, it is valuable in understanding the relatively small circle of players influential in the development of rural policy. Richardson has described the policy community idea as "descriptive rather than definitional ... a metaphor rather than a model" (Richardson 2000, p1006) although others have attempted precise definitions (Pross 1986, p98).

Pross divides the policy community into two segments — a sub-government, which includes key pressure groups, and an attentive public (Pross 1986, p98). Others have referred to members of this "sub-government" as "insider" groups because of their closeness to government and their ability to keep their issues on the agenda (Davis et al. 1993, p140). Pross suggests that the attentive public is not a regular participant in the policy-making process while the sub-government is somewhat constrained by its need to maintain consensus (Pross 1986, p99). West identifies a similar problem of constraint under the Hawke consensus:

with the advent of Labor's corporate state, as they were drawn first into the Summit and then into EPAC, business and union interests lost much of their capacity to act as independent operators. (West 1984, p4)

Boreham also sees the limitations imposed by the corporatism of the Hawke government:

During 1984 it was becoming clear that EPAC was a vehicle for finding common ground between business and unions and locking both parties into support for government policies, instead of an

institution for bringing different criteria to bear on macroeconomic policy making. (Boreham 1990, p49)

From the government's perspective, the mechanism was therefore very effective:

There can be no doubt that the Hawke government has been masterly at keeping business sufficiently on side or at bay to go on winning politically, feats that distinguish it from former federal labor governments. (Galligan and Singleton 1991, p xii)

In September 1985, EPAC commissioned the Bureau of Agricultural Economics to "analyse the outlook for the Australian agricultural sector taking into account both domestic and international factors" (EPAC 1986, p iii). The report was consistent with the prevailing economic policies of the government, suggesting that in order to improve the sector's prospects

Most of the [policy] initiatives that can be made here, consistent with overall economic efficiency, lie in the removal of the range of distortions or inefficiencies in the Australian economy which adversely affect the farm sector. These include, *of course*, a reduction in the level of protection afforded to manufacturing industry, and moves to increase the efficiency and flexibility of a range of industries which serve agriculture. (EPAC 1986, p27 — emphasis added)

One of the key innovations of the new government was the Prices and Incomes Accord with the Australian Council of Trade Unions (ACTU). The Accord was negotiated between the ALP and the ACTU prior to the 1983 election. Singleton describes the Accord as follows:

The Accord is multi-faceted. It is a comprehensive incomes policy aimed at achieving economic growth, lower inflation and reduced unemployment. It includes an agenda for social reform. The Accord, as the basis of Labor's credentials for sound economic management, also has an electoral function. It is in these respects both the product and the tool of a close unity of purpose within the political and industrial wings of the labour movement to achieve their disparate but interrelated economic, electoral and philosophical objectives. (Singleton 1990, p156)

This agreement provided the framework for economic policy which allowed the government to pursue a policy of fiscal stimulus without the risk of inflation resulting from a wages explosion (Walsh 1991, p36; Gruen and

Grattan 1993, p269) and also to manage potential conflict between business and the union movement (Singleton and Galligan 1991, p3). The Accord has been described as the "cornerstone of the Labor government's economic and industrial relations policies" (Deery et al. 1997, p8.31).

There were seven variants on the Accord under the Labor government, providing the ACTU with "unprecedented political influence" (Matthews 1994, p194), while allowing for a "remarkable transformation of the centralised wages system" (Deery et al. 1997) as each Accord moved industrial relations away from the industry level to the individual enterprise. The existence of the Accord caused some analysts to suggest that the corporatism many saw in EPAC and consensus politics was not balanced. In what became a very large debate, it was argued that the position of labour was consolidated and strengthened under the Accord (Boreham 1990), while business only had a peripheral role. The arrangement — which was essentially bilateral in nature — was seen as a form of "corporatism without business" (Matthews 1991). Although the ACTU initially agreed to support the Accord on the basis that it would reintroduce and maintain full wage indexation (Singleton 1990, p155), it continued its support for the agreement after the demise of indexation and through a number of iterations which also saw the erosion of centralised wage fixing. Its critics saw the Accord as tempering the government's commitment to economic reform and providing too much power to the trade unions. However, it should be noted that over the period of the Accord there was a fall in real wages in Australia and the profit share increased (Matthews 1994, p209). The existence of the Accord became an important source of tension between the Labor government and the farming community as the National Farmers' Federation adopted industrial relations reform as one of

its key objectives and, under Ian McLachlan, became actively involved in industrial disputes.

Stewart and Jennett write that, under Hawke,

the direction of government policy has demonstrated that, apart from the Accord, the pursuit of market liberalisation has been a fundamental feature of the ... government's public policy. (Stewart and Jennett 1990, p6).

Galligan and Singleton suggest that this trend can be explained by the international economic climate of the time (Galligan and Singleton 1991, p xi), while others saw the Government as captive of the economists in Treasury (Kelly 1994, p59) which had been increasingly dominated by economic liberalism over the course of the 1970s and early 1980s (Whitwell 1986). Perhaps surprisingly, this did not cause ideological problems for the Labor Party. As Painter writes

market liberalism became increasingly disassociated from partisan or sectional positions and came to form the basis for a new set of collective problem-solving arrangements. Despite its philosophical foundations in liberalism, it did not present itself to government as an ideology of social or political mobilisation but as a doctrine of problem solving and management. (Painter 1996, p293)

Related to the growing economic focus of government policy approaches was a trend towards managerialism with "its emphasis on programme budgeting, performance evaluation and how best to use and rationalise increasingly scarce resources" (Gruen and Grattan 1993, p43). In 1987, the government undertook a major restructuring of the public service, amalgamating departments and creating "megaportfolios", many with two or more responsible ministers. The reorganisation had many of the trappings of synoptic policy making seeking to deliver

a range of benefits: enhanced ministerial control; better coordination and decision-making processes; broader perspectives and greater coherence in policy advice and programme development; greater scope for delegation to portfolios; reduction in overlap and

duplication; greater flexibility in portfolio operations and potential stability in machinery of government. (Gruen and Grattan 1993, p44)

Gruen and Grattan note, however that "a good deal of policy is incremental" (Gruen and Grattan 1993, p265) and although the management of policy work may have had the appearance of increased rationality, a close examination of the policy outcomes indicates that policy makers were still operating as Lindblom would predict.

Rural policy development was not immune from the changes which were introduced by the Labor governments. In 1987 the Department of Primary Industry was amalgamated with the Department of Resources and Energy to form the mega-portfolio of Primary Industries and Energy reporting to two Ministers and a Parliamentary Secretary. Like all government departments, the influence of economic liberalism increased within DPIE over the 1980s and 1990s. This was reflected across rural policy in areas such as changes to dairy marketing arrangement in 1986 which introduced a closer link between domestic and world prices (Martin 1990, p162) and the deregulation of the domestic wheat market in 1989. The rise of corporatist tendencies under Hawke was arguably less of a revolution in primary industry policy as this Department had traditionally worked very closely with farm representatives in the development of rural policy (Connors 1996). However, the industrial relations arrangements in the Accord attracted strong criticism from the farm sector.

Although commentators vary in their interpretations of the Hawke consensus and the move to economic liberalism, these policy trends largely defined the 1980s. A further important characteristic of the decade was the increasing importance of environmental issues — a development which extended into the rural policy arena as the Minister for Primary Industries and Energy spoke out in favour of sustainable development and balancing

economic and environmental considerations (Kerin 1989; Kelly 1994, p540).

The Labor platform at the 1983 election had contained a commitment to prevent the flooding of the Franklin and Lower Gordon rivers in South-west Tasmania. The "No Dams" campaign was highly successful with a September 1982 poll showing 49 per cent of Australians favouring federal intervention to prevent the dams, with 37 per cent opposed (Papadakis 1990, p343). Papadakis and Moore have argued that the 1983 election was the first time that environmental issues had featured prominently in a federal campaign (Papadakis and Moore 1994, p340) and over the following thirteen years, environmental issues continued to be important. In 1990, green preferences delivered Labor an unprecedented fourth term in government. Elsewhere, Papadakis goes so far as to suggest that "[a]rguments over environmental issues ... posed a deep threat to the politics of consensus advocated by the Hawke government (Papadakis 1990).

In 1984 a National Conservation Strategy for Australia was developed which agreed 4 objectives:

- To maintain essential ecological processes and life support systems
- To preserve genetic diversity
- To ensure the sustainable utilisation of species and ecosystems
- To maintain and enhance environmental qualities. (Hawke 1989, p5)

In July 1989 the Prime Minister issued an Environment Statement *Our Country Our Future* which argued that it was "time to take stock and plan ahead" (Hawke 1989, p2). The Statement endorsed the objectives of the National Conservation Strategy and addressed a range of issues include biological diversity, endangered species, international cooperation, world

heritage, oceans and fisheries, the greenhouse effect and land degradation. A Resources Assessment Commission was established in 1989 and from 1990 onwards the Government was involved in the development of a strategy for Ecologically Sustainable Development. An Intergovernmental Agreement on the Environment was concluded between the Commonwealth and the States in October 1990 and came into effect on 1 May 1992. The agreement included the establishment of a National Environment Protection Council which proceeded to oversee the development of a series of National Environment Protection Measures.

Primary Industries and Energy Minister in the Hawke Government, John Kerin reports that he pushed hard on the issue of ecologically sustainable development, and for the establishment of the Resources Assessment Commission, and that in Cabinet Hawke was firmly behind environmental issues (Kerin 2000, pers comm). This interest extended to increasing attention to the impact of European-style agriculture on the Australian landscape. In 1990 the Year and Decade of Landcare commenced, backed jointly by the National Farmers' Federation and the Australian Conservation Foundation and the ecologically sustainable development process included a Working Group on agriculture.

#### *The Keating Governments (1991-1996)*

The removal of Bob Hawke as Prime Minister and his replacement with Paul Keating in December 1991 signalled few substantive changes to policy direction, although Kerin suggests that the Keating Cabinet was more economically-focussed (Kerin 2000, pers comm). The government's adherence to the policy prescriptions of economic liberalism continued. The main exceptions to this latter trend were the mildly expansionary *One Nation* economic statement brought down by Paul Keating in February



1992 shortly after he took on the Prime Ministership, and the *Working Nation* package which followed in 1994. These statements have been described as "political weapons" or "advertisements" by "an incrementalist government trying to appear 'innovative'" (Cockfield and Prasser 1997, p99).

There were differences in style between Keating and his predecessor. After the unexpected win by Labor in the 1993 election, the partnership between the government and the ACTU showed signs of strain as Keating attempted to work within the Accord to introduce enterprise bargaining. The relationship between the government and business also changed, becoming "more 'crash through' than consensus" (Singleton 1997, p143). In March 1992, Keating announced that EPAC's scheduled meetings were to be reduced to one a year. This compared with 41 meetings held between July 1983 and March 1992. Keating states that the objective of the change was to allow the Council "to concentrate on medium term issues" (EPAC 1992, p19). Gruen and Grattan suggest that this move underlined EPAC's "subordinate status" in the policy making process (Gruen and Grattan 1993, p59). Keating subsequently abolished EPAC, although other tripartite industry advisory bodies were retained (Singleton 1997).

Edwards suggests that Keating entered his second term as Prime Minister without a major reform program in mind. He had overseen economic reforms as Treasurer and was left with few areas in which to move — for example industrial relations reform was seen as out of bounds for a Labor Prime Minister already stretching his relationship with the union movement (Edwards 1996, pp512-513). This interpretation seems to be an overstatement, as Keating's second term saw the release of the Hilmer Report recommending the implementation of a comprehensive National

Competition Policy. In October 1992 an Independent Committee of Inquiry into National Competition Policy had been established under the chairmanship of Professor Fred Hilmer. The Committee proposed a policy approach comprising six key elements

- Limiting anti-competitive conduct of firms
- Reforming regulation which unjustifiably restricts competition
- Reforming the structure of public monopolies to facilitate competition
- Providing third-party access to certain facilities that are essential for competition (eg access to the telecommunications network)
- Restraining monopoly pricing behaviour
- Fostering "competitive neutrality" between government and private businesses when they compete. (Hilmer et al. 1993, p xvii)

A National Competition Council was set up to oversee the policy which included a major program of legislative review. The National Competition Policy caused some consternation in the rural sector as it was seen as a threat to remaining statutory marketing arrangements, that had survived earlier deregulation, and the export monopoly arrangements for wheat and sugar. Such was their concern that the Grains Council of Australia lobbied in the lead up to the 1996 Federal election to obtain assurances from both the Labor Minister for Primary Industries and Energy, Senator Bob Collins and the Opposition Spokesman John Anderson about the future of the Australian Wheat Board's single desk export arrangements.

Environmental issues continued to be important. In December 1992, all Australian governments endorsed a *National Greenhouse Response Strategy* with its stated goal

*To contribute towards effective global action to limit greenhouse gas emissions and enhance greenhouse gas sinks; to improve knowledge and understanding of the enhanced greenhouse effect; and to prepare for potential impacts of climate change in Australia.*

(*National Greenhouse Response Strategy* 1992, p10 — italics in original)

In December 1992, Keating announced an environment package, the centrepiece of which was spending on cleaning up the Murray Darling river system (Mussared 1992, p1). The statement was described by commentators at the time as "pragmatic" (*Canberra Times* 1992, p8) and "cautious" (Taylor 1992, p1). In addition to spending on a water pollution and land degradation rescue package in the Murray Darling Basin, the statement included an announcement that the Government would ratify international conventions on biodiversity and climate change (Taylor 1992).

#### *Opposition Policy to 1996*

During the years of the Hawke government, the Opposition was undergoing a degree of ideological turmoil. The senior Coalition partner, the Liberal Party had a "serious identity problem" (Emy and Hughes 1991, p190) as debates waged between small 'l' liberals, who saw some role for government in the economy and favoured retention of the arbitration system, and free market advocates within the party who supported deregulation of industrial relations, financial markets and foreign investment and a reduction in the size of government (Hughes 1998). The policy direction which emerged was a triumph for the economic liberals — small government, dismantling of the arbitration system and the Accord, a program of privatisation and general deregulation of the economy (Kelly 1994, p109). By 1990 the ideological debate had been resolved,

The party which emerged under John Hewson after the 1990 election ... looked more united, more ideologically cohesive, but also further to the Right than at any stage in its history. The party now professed a fundamental commitment to economic rationalism, small government and the market economy... (Emy and Hughes 1991, p190)

Following Hewson's defeat at the 1993 election, the Opposition, under first Alexander Downer and then John Howard moved away from presenting a radical program of change.

### *The First Howard Government*

After its March 1996 election victory, the first Howard government continued along the same general economic policy line as that established by its predecessor (Barrett 2000, p130), in spite of the participation of the National Party in the Coalition. Its major policy moves, such as the changes to the industrial relations framework represented in the *Workplace Relations Act 1996* would not have been possible if the policy groundwork had not been laid by the changes to industrial relations negotiated by Labor through the Accord. The overall economic direction was unchanged, being "firmly in the economic rationalist mould" (Woodward 1997, p432). The Howard government did, however, dismantle the institutions of Hawke-Keating corporatism with the abolition of the Accord: "[t]he rise and fall of corporatism in Australia thus coincide with the shift from the Hawke to the Howard governments" (Head 1997, p352). The National Competition Policy reform agenda was continued although this caused some disquiet within the Coalition as some National Party members expressed concern about the impact of the policy on rural Australia.

Environmental issues continued to appear on the Government's agenda with the introduction of the high profile Natural Heritage Trust environmental package, funded by the sale of one-third of the telecommunications carrier, Telstra. The Trust committed \$1.15 billion over the five years from 1996 "to directly engage the most pressing environmental challenges faced by this nation" (Anderson 1996a). Negotiations leading up to the 1997 Kyoto Protocol to the United Nations Framework Convention on Climate Change

focused Government attention on greenhouse gas reduction and the Prime Minister made a statement on the Government's response to Greenhouse in December 1997 and established an Australian Greenhouse Office. Other environmental initiatives include the National Strategy for the Conservation of Australia's Biological Diversity and the National Forest Policy Statement (Papadakis and Young 2000, p163). The work program of the National Environment Protection Council continued with, for example, the implementation of a National Pollutant Inventory.

In the area of rural policy, policy initiatives included the privatisation of the wool stockpile, the privatisation of the Australian Wheat Board, the replacement of the statutory authorities in the meat industry with industry-owned companies and a National Competition Policy review of the sugar industry. The Australian Quarantine and Inspection Service was restructured following the completion of a review that had commenced under the previous government.

### **Conclusion**

In 1959, Charles Lindblom sparked a long and important debate about how policy is made — a debate which remains highly relevant today. Modern management techniques, such as program budgeting, suggest that policy makers and managers still aspire to comprehensiveness, however their practice reveals a high level of incrementalism.

The victory of the Hawke-led Labor Party in Australia at the 1983 federal election signalled the beginning of a new approach to policy development. Hawke's preference for consensus-building and the Accord that had been agreed with the ACTU ushered in an era that has been described as "rationalist-managerialist" (Wiltshire 1990, p27) and corporatist.

International economic trends put pressure on the government and increasingly market-based solutions to policy problems were sought. The dominance of more instrumental approaches to policy and the neglect of public debate over values and policy ends continued through the Keating and Howard governments. As will be highlighted later, this neglect of value considerations, while consistent with Lindblom's model of policy development, carries risks as ends become shaped by policy means. Running counter to these trends, environmental issues gained a new prominence in the Australian political arena, although Papadakis argues that the manner in which they were managed in Australia ensured that economic factors were incorporated in policy responses to environmental concerns (Papadakis and Moore 1994).

The strength of economic liberalism in Australia in the 1980s and 1990s, combined with managerialism and an emphasis on efficiency in public administration superficially suggests that policy was being developed in accordance with the rational-comprehensive model. However, a closer examination of the policy process and its outcomes suggests that Lindblom's description of policy making, developed in the 1950s in the United States, holds true for Australia some thirty or forty years later. To illustrate this point, the following case study examines the development of responses to farm poverty in Australia between 1989 and 1998.

### CHAPTER THREE: FARM INCOME SUPPORT POLICY 1989 TO 1993

The following two chapters set out to illustrate the incremental nature of government responses to farm poverty in the period 1989 to 1998. Farm income support policy evolved over the ten years from its position as part of the 1988 version of the Rural Adjustment Scheme to the establishment of separate programs under the *Agriculture Advancing Australia* package which was announced in 1997. This chapter covers the period to 1993 at which time the government had a new rural policy package in place and was confident that it had accounted for the various adjustment and income support needs of Australia's farmers. Chapter Four examines the policies developed from 1994 to 1998. In 1992 and for the first half of 1993 the writer was an officer in the Rural Policy Branch of the Department of Primary Industries and Energy and an active participant in the policy process, including a period as Acting Assistant Secretary with policy responsibility for the schemes examined in this chapter.

The outlook for the agricultural sector at the beginning of 1989 was promising. In December 1988, the Australian Bureau of Agricultural and Resource Economics (ABARE) issued an up-beat forecast, reporting that "short term prospects for Australian rural industries are sound". A strong recovery from low returns in the mid 1980s led ABARE to report "the most favourable rural outlook since the beginning of this decade" (ABARE 1988, p310). However, by late 1990 Australia was experiencing the recession it "had to have" (Kelly 1994, p617). In 1991 ABARE reported that the "Australian rural economy is in a period of sharp decline, caused primarily by falls in the prices of several important commodities" (Hall et al. 1991, p7). This was part of a long term trend which was exacerbated by the growth in agricultural protectionism among traditional importers of agricultural produce and a subsequent downward pressure on world free market prices

(Musgrave 1990, p248). By mid 1992 the situation had deteriorated further as drought conditions worsened. In 1994, ABARE estimated that Australia's national income had been reduced by around \$2 billion as a result of the drought, or equivalent to 0.5 percentage points lower than would otherwise have been the case for the financial year 1994-95 (ARMCANZ 1994b, p7).

As outlined in Chapter One, the Commonwealth Government has been concerned with farm incomes for decades. For many years the market for primary produce was subject to "a bewildering array of policy instruments" affecting farm prices (Throsby 1972a, p13) and these provided a mechanism for addressing inadequate farm incomes (Lewis 1967, p303). As the Australian economy has developed, agriculture's contribution to both GDP and, more recently, exports has declined along with farmers' terms of trade. As a result, rural Australia has been under varying degrees of economic pressure with the expression "rural crisis" in common usage for many years.

These economic pressures were accompanied in the 1990s by stress on farm families and on rural communities. For many communities, the downturn was accompanied by the withdrawal of government and other services. Many farmers found themselves seeking financial assistance to meet household needs for the first time in their lives. Providing that assistance proved to be a policy challenge for governments, as they struggled to ensure that any welfare measures did not undercut their economic policy objectives for the farm sector.

In recent years, the government's broader rural policy objectives, particularly in the area of rural adjustment policy, have set the parameters within which responses to inadequate farm incomes have been developed.



As a result of this close linkage between structural adjustment in the farm sector and poverty, this study examines the Government's rural adjustment policy and drought policy, both of which have included income support measures.

This account is limited to policies directly aimed at income support for farmers who are unable to meet the day to day needs of the family. It excludes consideration of the aged pension, pensions payable to veterans and education support programs such as Austudy, although it should be noted that many of the issues confronting farmers in gaining access to income support, such as the application of an assets test, also apply to these other forms of assistance. Family payments have also been excluded, as during the period under review farming families did not appear to have been unduly disadvantaged by the means tests applied to this payment and their rate of access to this benefit equated with that of the general population (Senate Rural and Regional Affairs and Transport References Committee 1995c, p xviii). This case study commences in 1989 with the introduction of the revised Rural Adjustment Scheme which had been reviewed in 1988 and the watershed announcement by the Government that drought was to be removed from the Commonwealth-State arrangements for responding to natural disasters, the Natural Disaster Relief Arrangements (NDRA) (Burdon 1996b, p86).

### **The Issues**

In responding to farm poverty, governments are confronted with a number of important policy issues. First, policy-makers are faced with the structure of the family farm and how, or whether, an attempt should be made to separate the farm business from the farm family. This is a key issue in the second policy issue: an appropriate government policy towards drought. It

is also a contributor to the third issue, the application of the assets test to social security payments.

A major difficulty for farmers seeking support, and for policy makers developing schemes to provide support, is the "unity of business and household" (Mauldon and Schapper 1974, p65) within the family farm, and the perception that any assistance provided to the farm family is a *de facto* subsidy to the farm business. This concern has ensured that consideration of income support for farmers has been very closely linked to the Government's structural adjustment objectives for the farm sector. In 1988 then Minister for Primary Industries and Energy, John Kerin set out clearly the philosophy underpinning the government's approach to rural adjustment:

the purpose of this scheme is to allow effective structural adjustment to take place in farm business enterprises. It is not aimed at keeping farmers on the land. Using the scheme to prop up businesses that are not viable in the long term is not on. The scheme is aimed at making farm businesses independent of assistance as soon as possible or, if this cannot occur, helping farmers to leave the sector with dignity. The retention of farming as a desirable lifestyle will be a result of effective management of farm businesses and effective adjustment, not an objective of it. (Kerin 1988)

This approach sets limits on the ability of governments to respond to poverty *per se* as structural adjustment remains the key objective.

The onset of drought exacerbates underlying farm adjustment problems and poverty is highlighted as an issue requiring a government response. It was mostly in this context that farm welfare needs were considered in the 1990s, particularly during the first half of the decade when large numbers of farmers were affected by severe drought conditions. The drought followed a period of low commodity prices and high interest rates and many farmers experienced financial hardship. The approach articulated by Kerin ensured that while responding to the growing welfare needs of this group, policy

makers were also focusing on the structural adjustment needs of the farm sector, including the perceived need to facilitate farm exit by less productive farmers to improve the overall productivity of the sector and increase its international competitiveness.

The general social security system does not cope well with the needs of farmers. Australia's social security system has three distinct types of payments: allowances (such as the unemployment benefits — JobSearch and NewStart Allowances), family payments, and pensions (eg age and disability) (Senate Rural and Regional Affairs and Transport References Committee 1995c, p2). Since 1984, assets tests have been applied to social security payments in Australia, with the most stringent tests applying to unemployment benefits. Initially designed to prevent wealthy people from rearranging their affairs in order to gain access to welfare support, the assets test has hit farm families disproportionately hard (Synapse Consulting (Aust) Pty Ltd 1992, p49). This outcome is a result of the low yielding nature of investments in farm land and other primary production assets. None of these issues has been conclusively resolved and will no doubt continue to test policy makers. Hardship provisions are available within the general welfare system, however they are not seen as sympathetic to the needs of farm families as one of the eligibility criteria has been that the farm be offered for sale.

### **Government policies**

The Australian Labor Party was in Government for the first seven years of the period under review. In 1989 the Minister for Primary Industries and Energy was John Kerin, who held the portfolio from the election of the Hawke Government in 1983 until June 1991. His replacement, Simon Crean, was almost immediately faced with dealing with a worsening

drought and the effects of the rural crisis. In December 1993, the portfolio passed to Senator Bob Collins who held the position until the defeat of the ALP Government at the March 1996 election and whose term as Minister was also largely dominated by the drought.

**Table One: Major Policy Developments 1989-1993**

Year	Development	Key Income Support Features
1989	Removal of drought from the Natural Disaster Relief Arrangements	
	Commencement of the Rural Adjustment Scheme 1988	<ul style="list-style-type: none"> <li>• Part C Household Support, available for up to two years, in theory the first six months to be a grant for those leaving farming, the balance to be repaid or deducted from a subsequent re-establishment grant</li> <li>• Drought support provided through Part B carry-on assistance</li> <li>• Re-establishment grant</li> </ul>
1990	Report of the Drought Policy Review Task Force	<ul style="list-style-type: none"> <li>• Recommended RAS as the most appropriate mechanism for delivering farm welfare support</li> </ul>
1991	Modified JobSearch Allowance	<ul style="list-style-type: none"> <li>• Access to social security benefits for "financial hardship" farmers who were long term viable and ineligible for Part C support</li> <li>• provided exemption from assets test for on-farm assets</li> </ul>
1992	Review of RAS 88	<ul style="list-style-type: none"> <li>• Consultants recommend the separation of welfare assistance from adjustment support</li> </ul>
1992	National Drought Policy	<ul style="list-style-type: none"> <li>• Agreed policy framework based on principles of self-reliance and risk management</li> <li>• Announced intention to establish a separate farm household support scheme</li> </ul>
1993	Commencement of the Rural Adjustment Scheme 1992	<ul style="list-style-type: none"> <li>• Introduction of exceptional circumstances provisions which provided access to enhanced interest rate subsidies during times of severe downturn</li> <li>• Limited to farmers with long term prospects of profitability and sustainability in the farm sector</li> <li>• Re-establishment provisions for farmers choosing to leave the sector</li> </ul>
1993	Farm Household Support Scheme	<ul style="list-style-type: none"> <li>• Provided household support payments at the level of the JobSearch Allowance to farmers unable to access commercial financial support</li> <li>• Available for up to two years</li> <li>• For farmers leaving the land, the first nine months of payments converted to a grant, the balance a loan repayable with interest</li> <li>• For farmers not leaving the land, the full amount was repayable with interest</li> </ul>

Table One sets out the various programs considered in this chapter, the date of their introduction and their key income support features.

Under Labor, income support for farm families was provided through the Rural Adjustment Scheme, a modified unemployment benefit, the Farm Household Support Scheme, the Drought Relief Payment and, where eligibility criteria were met, the standard social security system.

The Commonwealth Government has been involved with the delivery of rural adjustment-type schemes since the introduction of a debt reconstruction scheme in 1935. In 1971 the debt reconstruction program was replaced by a broader rural reconstruction scheme which included assistance for marginal farmers who were leaving the land and faced personal; financial hardship. In the mid-1970s, the rural reconstruction scheme changed focus in response to the structural adjustment pressures facing the farm sector, and in 1976 the Rural Reconstruction Scheme was replaced by the Rural Adjustment Scheme, which included household support payments for the first time. The Rural Adjustment Scheme (RAS) continued until 1997 with major modifications in 1985, 1988, and 1992.

### **RAS 88**

The 1988 version of the Rural Adjustment Scheme (RAS 88) came into effect on 1 January 1989 and continued with some minor amendments until 31 December 1992. Although largely funded by the Commonwealth Government, the scheme was delivered by the States through Government Departments or Statutory Authorities, known collectively as the State RAS Authorities.

The 1988 Rural Adjustment Scheme increased the focus of the program on long term structural adjustment and microeconomic reform and there was to be greater emphasis on training, professional advice and diagnosis of adjustment needs than had been the case under the 1985 version of the scheme (Musgrave 1990, p255). According to the legislation, the primary purpose of the scheme was

to assist in maintaining and improving the efficiency of Australian rural industry and so better place the industry to meet international competition and contribute to the national economy. (States and Northern Territory Grants (Rural Adjustment) Act 1988, Section 4 (1))

RAS 88 was divided into three parts: A, B and C.

Part A of the scheme, "improving the farm", was aimed at lifting farm performance through the acquisition of improved skill levels, the adoption of technological developments, an increase in farm size or capital intensity, farm program changes and access to information on technological developments and their application, training needs and opportunities, and appropriate farm programs (States and Northern Territory Grants (Rural Adjustment) Act 1988, Section 6 (2)). Support was delivered in the form of interest rate subsidies on borrowed finance, or loans or grants offered by the States. These features were aimed at viable farmers with a long term future in agriculture.

Part B of the scheme, "maintaining the farm", provided carry-on assistance for farmers in difficulty due to circumstances beyond their control (DPRTF 1990, Volume 3, p74). These provisions were used to deliver support to farmers during drought in the period January 1989 to December 1992 and for the establishment of a crop planting scheme in 1992 which delivered a 75 per cent interest rate subsidy on commercial finance for those growers

unable to access such finance in the absence of a subsidy (Burdon 1996a, p24).

Part C, "leaving the farm", was the main income support measure in the 1988 Rural Adjustment Scheme. It provided household support payments and re-establishment assistance "to permit farmers to make an orderly exit from rural industry" (States and Northern Territory Grants (Rural Adjustment) Act 1988, Section 6(3)). Under Part C, farmers were to receive household support for up to two years during which time they arranged the sale of the farm. On leaving the farm, they could apply for a re-establishment grant, subject to an assets test. When the 1988 legislation was passed, this grant was worth up to \$28,000 and was subject to an assets test equivalent to the grant, which reduced on a dollar for dollar basis until it cut out completely at an assets level of \$56,000. The grant was indexed annually to the Consumer Price Index and by 1992 was worth around \$35,000. The intention was that the value of the re-establishment grant be reduced by any household support payments received in excess of six months, however, the funding for RAS 88 was such that there was little incentive for the State RAS authorities to make this deduction. These funds were repayable to the Commonwealth and the Policy Guidelines for the scheme gave the State RAS Authorities the discretion to convert household support payments to a grant if the farmer left farming within two years. As a result, many farmers received the household support payments as a grant for the full two years.

Under the 1988 Rural Adjustment Scheme, the policy dilemma of the unity of farm and family was dealt with by treating the farm as a single entity. Household income support was available under Part C as a component of the re-establishment package, which contributed to the structural adjustment objectives of RAS. As noted, drought was included under

Part B of RAS, again treating the farm as a single entity with support in the form of carry-on finance. To use Musgrave et al's typology of poverty referred to earlier (Musgrave et al. 1975 ), the 1988 Rural Adjustment Scheme provided support for farmers experiencing structural poverty, either Type A or C, but only if the non-viable farmers were prepared to leave the industry. Those suffering more temporary (Type B) poverty were supported through carry-on assistance. Expenditure on the income support components of RAS was small compared with the structural adjustment elements of the scheme, as illustrated in Table Two.

**Table Two: Expenditure on RAS 88 (\$'000)**

	Part A	Part B	Part C
1988/89	40,384	7	5,690
1989/90	43,384	53	5,156
1990/91	49,384	35	5,233
1991/92	105,470	18,600	18,777

Table drawn from (Synapse Consulting (Aust) Pty Ltd 1992, Appendix 6; Rural Adjustment Scheme 1993, p16)

In later work, Musgrave observed of the 1988 Rural Adjustment Scheme:

The resource-oriented components of debt reconstruction, farm build-up, carry-on finances and farm improvement would seem to have a major welfare dimension.

...Despite this, the type of measures included in the scheme lead to the neglect of some classes of welfare problem associated with adjustment, particularly the problems of those applicants to the scheme who are classed as non-viable but who stay on the farm. (Musgrave 1990, p259)

This highlights one of the problems with attempting to address welfare issues in an adjustment context. Not all applicants will agree with the assessment that they are not viable. In so doing they do not accept the re-establishment option and are then deprived of household support.



Particularly during downturns, this can have severe effects on individual farm families. Musgrave concluded of RAS 88 that "the scheme would not seem to be particularly efficient or effective in dealing with farm poverty" (Musgrave 1990, p262). It is worth noting the relatively small numbers of farmers supported through the carry-on, household support and re-establishment provisions of RAS 88 between 1988-89 and the scheme's replacement in 1992. Table Three sets out the number of applicants approved for assistance under these provisions.

**Table Three: Applications approved for Part B carry-on and Part C support under RAS 88**

	1988- 1989	1989- 1990	1990- 1991	1991- 1992	1992- 1993
<b>Part B carry-on</b>	23	4	1	2671	887
<b>Household support</b>	254	172	516	622	273
<b>Re-establishment</b>	188	126	207	438	313

Table drawn from (RASAC 1993, p96)

The relatively high number of applicants approved for carry-on finance in 1991-92 reflects the fact that this was the "first year since the early 1980's that Part B had been activated in a significant way" (Rural Adjustment Scheme 1993, p15) as it became a vehicle for providing support to drought-affected farmers in Queensland and New South Wales.

### **Drought Policy Review**

Shortly after the 1988 version of the Rural Adjustment Scheme commenced, the Government introduced a policy change which fundamentally altered its approach to drought relief — the removal of drought from the Natural Disaster Relief Arrangements. This was followed by the establishment of a Drought Policy Review Task Force to examine the

most appropriate form of government response to drought. Although the purpose of the review did not mention income support explicitly, the Review Team made some recommendations in this area.

#### *Natural Disaster Relief Arrangements*

Drought had been included under the Natural Disaster Relief Arrangements (NDRA) in 1971 (Synapse Consulting (Aust) Pty Ltd 1992, p44). The NDRA are a Commonwealth-State arrangement for responding to natural disasters, with the details set out in Terms and Conditions determined by the Commonwealth Minister for Finance. The States and Territories have primary responsibility for disaster relief and provide the initial financial resources to respond to a disaster event. The Commonwealth provides financial support once a predetermined spending threshold has been triggered by the States and also provides benefits to victims through the Department of Family and Community Services (Department of Finance and Administration 1999). Prior to 1996, this support was provided through the Department of Social Security.

On 13 April 1989, Finance Minister Peter Walsh announced that drought was no longer to be covered by the NDRA. It is likely that the decision was primarily driven by budgetary considerations, as there had been "persistent reports" that the Queensland government was "over-hasty in declaring areas drought affected" (Gerritsen 1991, p285), and there was a perception in Canberra that the National Party government in that State was using drought support for party political purposes (Wettenhall 1991, p368).

Writing in 1987, Lawrence argued

So-called 'natural disaster' relief is considered an essential backstop by all political parties. The plight of rural producers suffering the consequences of some unforeseen disaster is the stuff of television documentaries and political speeches. The image of a party is

no-doubt enhanced by its generosity in aiding the hapless producer suffering through an Act of God. (Lawrence 1987, p207)

By 1989, this political advantage was overridden by the demands of "fiscal responsibility" and the need to cut Commonwealth spending. It was also becoming increasingly untenable to argue that drought was an unforeseen event in a country as dry as Australia. Nevertheless, the decision to remove drought from the NDRA was not universally accepted. The National Party saw its removal as a weakness in the Government's approach to rural adjustment. Deputy Leader Bruce Scott went so far as to promise that

the coalition will be putting severe drought — and I emphasise that it is only severe drought, not ordinary dry periods — back into the cooperative Federal State natural disaster arrangements (Scott 1992).

Wettenhall has argued that "[d]isasters are social, not physical events: they happen to human communities" (Wettenhall 1991, p356). In that context drought, particularly extreme drought, would seem to qualify. However, the new approach to drought policy with its emphasis on economic concepts of productivity and sustainability changed the mood of drought policy. Drought was no longer seen as a social event affecting human communities — the response was tailored to addressing the economic impact on producers. Aside from arguments about the validity of its removal from the NDRA in policy terms, the move signified a major shift in attitudes towards drought.

It is now generally agreed in policy circles that the decision to remove drought from the Natural Disaster Relief Arrangements was well founded. In spite of Bruce Scott's remarks, the Coalition government after 1996 gave no consideration to the reinstatement of drought into NDRA. Australia is the driest inhabited continent on earth and extreme climatic variability is a feature of Australian farming (Burdon 1996b, p75). As such, drought of some magnitude is a common occurrence. In addition, recent advances in

the understanding of climate patterns, and particularly the influence of the El Niño phenomenon on Australia's rainfall, have increased the predictability of dry seasons.

*Drought Policy Review Task Force*

In May 1989, an independent Drought Policy Review Task Force was appointed by the Minister for Primary Industries and Energy, John Kerin, to look at Australia's drought policy framework. The objectives of the review were to:

- (1) identify policy options which encourage primary producers and other segments of rural Australia to adopt self-reliant approaches to the management of drought
- (2) consider the integration of drought policy with other relevant policy issues; and
- (3) advise on priorities for Commonwealth Government action in minimising the effects of drought in the rural sector. (DPRTF 1990, Vol 1 p2)

The Task Force rejected the concept of drought as a natural disaster and placed its emphasis on the uncertainty of the farming environment and the need for farmers to employ risk management approaches to dealing with commodity price pressures, other economic pressures and drought. This emphasis was reflected in the description of drought adopted by the Task Force which was that "[d]rought represents the risk that existing agricultural activity may not be sustainable, given spatial and temporal variation in rainfall and other climate conditions" (DPRTF 1990, Vol 1, p3). Climate variability was seen as "clearly the norm" with extreme drought occurring when "agricultural production has been out of equilibrium with variable climatic conditions for extended periods of time" (DPRTF 1990, Vol 1, p4).

The Task Force called for the implementation of a National Drought Policy and laid down a number of principles which should underpin the provision of Government assistance during drought. These included that assistance:

- be provided in an adjustment context

- be based on a loans-only policy
- permit the income support needs of rural households to be addressed in more extreme situations. (DPRTF 1990, Vol 1 p18)

The Review included an overview of the income support arrangements available through the universal Social Security system and concluded that "[t]he income support needs of rural families in severe financial difficulties are appropriately addressed through the Rural Adjustment Scheme" (DPRTF 1990, Vol 1, p27). The Task Force argued that the "key to this issue is to consider welfare needs, while a producer stays in farming, as a logical extension of industry adjustment". The Review also concluded that changes to the general Social Security system to address the income support needs of farmers were "not appropriate" (DPRTF 1990, Vol 2, p163). In explaining its preference for retaining welfare support within RAS, the Task Force explained that it was

anxious that the integrity of the social security system should be respected. The possible extension of the unemployment benefit to cover the specific needs of primary producers and their families during periods of adversity, while they still remain in farming, would seem to be inappropriate. (DPRTF 1990, Vol 3 p68)

This position was consistent with the views of the Department of Social Security which opposed arrangements providing special treatment for a group of self-employed business people through the existing social security structure.

#### *Senate Inquiry into Drought Policy*

In November 1991, the Senate Standing Committee on Rural and Regional Affairs received a reference to inquire into and report on *A National Drought Policy: Appropriate Government responses to the recommendations of the Drought Policy Review Task Force*. The Committee reinforced the directions and recommendations of the Drought Policy Review Task Force, expressing its concern that, by early 1992, the Government had yet to respond to most of the Review's recommendations (Senate Standing

Committee on Rural and Regional Affairs 1992, p3). Like the Task Force, the Senate Committee recommended against the reinstatement of drought into the Natural Disaster Relief Arrangements in recognition that drought is a recurring feature of Australia's climate "that must be prepared for and managed" (Senate Standing Committee on Rural and Regional Affairs 1992, p xi). It also made a distinction between normal climate variation and severe drought, stating that

The Committee is of the view that individual landholders within rural industries should be responsible for preparing and managing variable climatic and seasonal conditions. However, it considers that there are limits to the self-reliance of farmers to cope with severe drought. (Senate Standing Committee on Rural and Regional Affairs 1992, p xvi)

The Committee touched only briefly on income support arrangements in its consideration of drought policy, identifying some problems with "the interaction of RAS with social security provisions (Senate Standing Committee on Rural and Regional Affairs 1992, p19), particularly with respect to the new "modified" JobSearch Allowance.

#### **"Modified" JobSearch Allowance**

The Drought Policy Review had endorsed the long held view that inadequate farm incomes were the result of adjustment pressures and therefore appropriately addressed through the Rural Adjustment Scheme. However, while consideration of a National Drought Policy was under way in 1991, there was a perception among policy makers that the income support provisions of the 1988 Rural Adjustment Scheme and the standard Social Security safety net were not addressing all of the welfare needs of farmers experiencing hardship due to the rural downturn. As a result, a scheme was announced in October 1991 which became known as "modified JSA" (Senate Standing Committee on Rural and Regional Affairs 1992, p16). It allowed limited access for some farmers to the

unemployment benefit or JobSearch Allowance (JSA) through modifications to the scheme's eligibility criteria. The Minister for Primary Industries and Energy, Simon Crean explained that the scheme was targeted at "farmers in severe financial hardship whose farms, whilst not profitable at present, are potentially profitable" (Crean 1991, p3678). The scheme was initiated by the Department of Primary Industries and Energy and, reluctantly, given effect by an amendment to legislation within the social security portfolio. The scheme was very unpopular with the Department of Social Security because it created a very specific category within social security legislation which was then subject to differential treatment. The Department was concerned about the "special precedents" created by these arrangements which allowed people of workforce age special exemptions from the general eligibility requirements for support (Synapse Consulting (Aust) Pty Ltd 1992, p48).

Under modified JSA, farmers were able to obtain an exemption for farm assets, including livestock and machinery, from the assets test which normally applied to the JobSearch Allowance (Social Security Act 1991, Section 27(2)). These were defined under the legislation as "unrealisable assets" and were those considered by the relevant State Rural Adjustment Authority to be "essential to the long-term profitability" of the farm (Social Security Act 1991, Section 27(1)). The scheme also exempted farmers from the JobSearch Allowance "activity test" which required that applicants "must be actively seeking and willing to undertake suitable paid work or willing to undertake suitable vocational training" (Senate Rural and Regional Affairs and Transport References Committee 1995c, p5). Under the modified JSA arrangements, the RAS authorities issued a "financial hardship farmer" certificate which was current for a period of up to 12 weeks. These certificates were then presented to the Department of Social Security as

evidence that the applicant qualified for benefits under the new provisions. In order to qualify for a certificate, a farmer needed to be in "severe financial hardship", although the farm was "likely to be profitable in the long-term" (Social Security Act 1991, Section 26(5)). The farmer also needed to apply for Part C assistance under the Rural Adjustment Scheme and to be ruled ineligible, and be unable to access commercial carry-on finance. The scheme was targeted at a very specific group, which was seen to be viable in the long term, and therefore ineligible for the household support and exit provisions of RAS, unable to access commercial finance, and ineligible for standard social security support due to the assets test. The scheme was not linked to specific events such as drought and, subject to the eligibility criteria described above, was available across Australia.

The scheme was an attempt to address poverty among viable farmers who failed to qualify for support through the social security system and at the same time could not obtain commercial financial backing. It addressed the problem of the assets test by exempting farm assets and as such, it was hoped that the modified scheme would alleviate the hardship of many farm families in difficulty. However, after nearly a year of operation by August 1992 only 285 farmers had accessed the modified JobSearch Allowance (Burdon 1996a, p41). The low take-up was attributed by some to the complexity of applications, requiring assessment by up to three different agencies before support was forthcoming (Senate Standing Committee on Rural and Regional Affairs 1992, p17). Like support under the Rural Adjustment Scheme, the scheme relied on farmers' accepting the RAS authority's assessment of their viability. Although the scheme was targeted at those who were viable, farmers approaching the RAS Authorities for a determination ran the risk of being told they were non-viable, and therefore candidates for support under the income support and exit provisions of



Part C of RAS. As was described to the Senate Standing Committee on Rural and Regional Affairs:

Many farmers in poor financial situations who are not receiving benefits had in fact been assessed as eligible for Part C but because they were not prepared to accept this verdict, were foregoing the available income support. (Senate Standing Committee on Rural and Regional Affairs 1992, p18)

To return to the typology of Musgrave et al, modified JSA was set up to address type B or temporary poverty which, as noted above, was not covered by the household support provisions of the Rural Adjustment Scheme. However, it did not meet the needs of non-viable farmers who chose to stay on the land. The scheme was explicitly linked to the Rural Adjustment Scheme with the Minister suggesting that it would "underpin" the government's "farm restructuring strategy". He went on to say that "[t]he aim of this package, together with the money provided through the rural adjustment scheme, is to ensure that we protect our asset base" (Crean 1991, p3679). Modified JSA provided welfare support to a small number of farmers but it was very much a temporary measure and was abolished with the commencement of the new Farm Household Support Scheme in March 1993.

### **The National Drought Policy**

In August 1991 a working group of officials of the State and Commonwealth governments was set up by the Australian Agricultural Council (AAC) to agree a National Drought Policy (AAC 1991, p9). While this work was taking place, the Rural Adjustment Scheme was also under review, along with the Income Equalisation Deposits Scheme. The Income Equalisation Deposits Scheme was an income smoothing measure available to farmers who had erratic incomes and were therefore disadvantaged by the income tax system. It allowed money to be put aside at favourable tax rates in high income years, to be drawn down in low income years (DPRTF 1990, Vol 3

p115). From the establishment of the Drought Policy Working Group in August 1992 there was a flurry of policy activity on drought and related issues. Figure One sets out the programs that were available to farmers between 1989 and 1993 along with the reviews and inquiries that took place and the policy work that was being undertaken by the Department.

In February 1992, the AAC "noted that limited progress had been made ... in gaining Commonwealth and State agreement on the framework for and components of a national drought policy" (AAC 1992, p23). Ministers agreed that a National Drought Policy would be based on the principles of self-reliance, risk management and recognition of drought as a natural feature of the climate. It was also agreed that the Rural Adjustment Scheme would be the principal source of Commonwealth drought assistance and that drought would not be reinstated within Natural Disaster Relief Arrangements. In cases of "severe and exceptional drought", consideration would be given by the States and the Commonwealth to an appropriate response (AAC 1992, p25).

A new National Drought Policy was announced following the July 1992 meeting of the Ministerial Council. Consistent with the recommendations of the Drought Policy Review Task Force, the policy was centred around the revised Rural Adjustment and Income Equalisation Deposits Schemes on the basis that "drought is one of several sources of uncertainty facing farm businesses and is part of the farmer's normal operating environment" (ACANZ 1992, p13). Farmers were therefore to be encouraged to manage the risk of drought, with the Rural Adjustment Scheme to provide "support to farmers who have prospects of sustainable long-term profitability with a view to improving the productivity of their farm units" (Rural Adjustment Act 1992, Section 3(2)(b)).



The new arrangements foreshadowed the development of a separate Farm Household Support Scheme to provide assistance to needy farmers to meet day to day living expenses. The policy was based on "principles of sustainable development, risk management, productivity growth and structural adjustment in the farm sector" (ACANZ 1992, p13). The objectives of the National Drought Policy were to

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing climatic variability
- maintain and protect Australia's agricultural and environmental resource base during periods of extreme climate stress; and
- ensure early recovery of agricultural and rural industries, consistent with long-term sustainable levels. (ACANZ 1992, p13)

As was subsequently pointed out, "there were difficulties with the move to make farmers more self-reliant during harsh conditions of high interest rates and drought" (Senate Rural and Regional Affairs and Transport References Committee 1994b, p14), although at the time of the development of the policy in 1992, it could not be known that the severe drought conditions would continue well into 1996.

The details of the National Drought Policy were developed at Departmental level with the work being undertaken by a Working Group of the Standing Committee on Agriculture. Ministers then discussed the drafts provided by officials at meetings of the Ministerial Council. Such discussions were often brief and limited to identification and negotiation of any areas of disagreement between the States and the Commonwealth. In July 1992 the National Drought Policy which was released by Ministers was not changed from the version submitted by the Standing Committee for approval.

The policy made one significant departure from the recommendations of the Drought Policy Review Task Force and that was the decision to address farm welfare needs separately from the Rural Adjustment Scheme through a new Farm Household Support Scheme. However, the integrity of the social security system was to remain intact as it was agreed that the scheme be established under new, separate legislation in the Primary Industries and Energy portfolio. This scheme would address the income support needs of all eligible farmers, not just those in drought-affected areas, but like the household support and exit provisions of the 1988 Rural Adjustment Scheme and the modified JobSearch Allowance before it, it would retain a structural adjustment objective. The Farm Household Support Scheme is discussed later in this chapter.

### **The Review of RAS 88**

Concurrently with the work on the National Drought Policy, a review of the 1988 Rural Adjustment Scheme was being undertaken by Synapse Consulting. The consultants recommended an overhaul of the scheme to increase the focus on farm adjustment and to "target those farms that can make a difference, those that can make a significant economic contribution".

The Review Team noted that

The prime modus operandi of RAS has been intervention in farm financing for which, in theory there should be less and less justification due to deregulation of the financial sector ... (Synapse Consulting (Aust) Pty Ltd 1992, p iii)

They went on to argue that

The intent of any intervention in farm financing should be to improve the effectiveness of commercial financing rather than as a mechanism to replace the commercial sector with a subsidised sector. (Synapse Consulting (Aust) Pty Ltd 1992, p33)

In contrast to the Drought Policy Review Task Force, the consultants were critical of the household support provisions in the Rural Adjustment Scheme, arguing that the "inclusion of income support measures within

RAS detracts from the focus of the Scheme upon farm adjustment", although they recommended the retention of the re-establishment provisions (Synapse Consulting (Aust) Pty Ltd 1992, p ix). In spite of this, the Report recognised the importance of addressing the income support needs of farmers as

Farmers in serious financial difficulty are more likely to take short-term decisions that cause land degradation than farmers who are in more secure economic situations. (Synapse Consulting (Aust) Pty Ltd 1992, p47)

The Review Team identified three possible income support options for consideration by government:

- a new income support category within the Rural Adjustment Scheme
- modification of existing social security arrangements; or
- changes to taxation arrangements to provide temporary income support.

The first option was for a new "Part D" income support category within RAS which would be a temporary arrangement aimed at viable farmers and/or non-viable farmers yet to accept Part C support to exit farming. Alternatively, it was suggested that a combined Department of Social Security/Department of Primary Industries and Energy program could be developed especially for primary producers, with a time limit on the availability of support. Two to three years was suggested.

The second option would see the replacement of the hardship provisions in the Social Security system with a modified assets test which applied only to off-farm assets, of which up to \$100,000 would be exempt to allow for working capital for the farm.

The third option proposed cashing out the value of accumulated tax losses at a standard rate of tax, for example the company tax rate, up to a set annual amount. It was proposed that the relevant JobSearch Allowance (unemployment benefit) rate was the appropriate ceiling. This option had the advantage of simplicity of administration, lower total cost to Government revenue and possible extension to other self-employed. In spite of its appeal, this option was not given serious consideration by the Government at the time, due to the review of the Income Equalisation Deposits Scheme which was also under way in 1992 and Treasury's reluctance to consider any further amendments to the income tax legislation (Kingma 1999, pers comm).

Each of these options indicates that the consultants continued the approach of linking any welfare support to farm families with the economic objectives of structural adjustment policy. In addition, they were very concerned about the equity of welfare responses to farm hardship arguing that

...the government cannot as a matter of general principle apply different income support arrangements to primary producers unless these can be justified by reference to special conditions applying to this category of people. Thus, there is a need to ensure that the treatment of primary producers is consistent with that of other groups, particularly self-employed business people. (Synapse Consulting (Aust) Pty Ltd 1992, p48)

With respect to "emergency situations", including drought, the consultants recommended that "there would be no change to the eligibility and assessment criteria [for RAS] ... but the levels of interest subsidies could be raised" (Synapse Consulting (Aust) Pty Ltd 1992, p xiii). This meant that drought support would be targeted at farm businesses not farm families — and only at those businesses with viable futures in the industry.

## RAS 92

In presenting the *Rural Adjustment Bill 1992* to the House of Representatives, the Minister for Primary Industries and Energy, Simon Crean, described the scheme as "the cornerstone of the Government's overall rural policy approach for achieving a more sustainable, productive and profitable farm sector" (Crean 1992b).

One of the notable features of the 1992 Rural Adjustment Scheme was the further move towards the market. In contrast to RAS 88, under which the State RAS authorities had determined whether farmers were viable in the long term, and therefore eligible for assistance, RAS 92 moved the assessment of "viability" into the commercial financial sector. Farmers who were able to convince a commercial financial institution to continue supporting them were seen to be viable in the eyes of the market, and therefore were viable in the context of the 1992 Rural Adjustment Scheme. This shift was intended to ensure that the scheme "should support the commercial financial system rather than act to usurp or compete with commercial institutions" (Crean 1992b). The rationale for support under RAS 92 therefore was to encourage productivity improvement by these viable farmers to strengthen their self-reliance and ultimately move them off the Rural Adjustment Scheme altogether. Support available through RAS 92 was in the form of interest subsidies on loans for productivity improvement measures and grants for training, planning, appraisal and support services.

The new RAS retained re-establishment grants as an incentive for non-viable farmers to leave the industry, however household support was moved into a new stand-alone Farm Household Support scheme. The level



of the re-establishment grant was increased significantly from around \$35,000 to \$45,000.

#### *Linkage with the National Drought Policy*

As outlined above, the new RAS was a key part of the National Drought Policy agreed at the July 1992 meeting of the Ministerial Council. It was focused on "improved farm productivity, profitability and sustainability through structural adjustment and more effective management of the farm business" while still allowing the Government to "respond to crises, but in a consistent, structured way rather than through ad hoc policy changes" (Crean 1992b). This crisis response was in the form of the new "exceptional circumstances" provisions which were introduced into the scheme to address such contingencies as severe drought or substantial commodity price downturns. When these provisions were triggered, the maximum interest rate subsidy available to eligible farmers was increased from 50 per cent to 100 per cent. Consistent with the Rural Adjustment Scheme's focus on supporting viable farmers, exceptional circumstances support was not available to marginal farmers.

#### *RASAC*

The 1992 Rural Adjustment Act also established the Rural Adjustment Scheme Advisory Council (RASAC). This Council was set up to provide the Minister for Primary Industries and Energy with independent, expert advice on the operation of RAS from a national and strategic perspective, to recommend the Budget for the scheme and to advise of the existence of exceptional circumstances (Crean 1992b). The Council's membership comprised up to seven members with one member to represent the States, an officer of the Commonwealth Department of Primary Industries and Energy, a representative of the National Farmers' Federation and up to four "special expertise" members selected "because of their expertise in economics, financial administration, banking, sustainable agriculture, farm

management or training" (Rural Adjustment Act 1992, Section 6(3)). Due to the worsening drought, the work program of RASAC in its first three years was dominated by consideration of applications for exceptional circumstances drought declarations. Under Labor, the Minister for Primary Industries and Energy did not make public the advice he received from RASAC, thereby ensuring any criticism of decisions was directed away from the Council. This practice was not continued by the Coalition after 1996.

Although RASAC's role did not initially impact on policy towards farm poverty, the subsequent introduction of the drought relief payment created a link between exceptional circumstances drought declarations and income support, increasing the pressure on the Council to find in favour of the existence of exceptional circumstances. The Drought Relief Payment is discussed in Chapter Four.

### **Farm Household Support Scheme**

As indicated above, a new Farm Household Support Scheme was introduced along with the 1992 Rural Adjustment Scheme as part of the National Drought Policy package. This was intended to complement the structural adjustment objectives of RAS 92 as reflected in the Objects of the Act which were:

- (a) to provide financial assistance to farmers who are unable to meet day-to-day living expenses and cannot obtain commercial loans; and
- (b) to provide a financial incentive for such persons to leave farming. (Farm Household Support Act 1992, Section 6)

The scheme replaced the income support component of the 1988 Rural Adjustment Scheme (Part C) and was aimed at those farmers who were unable to access commercial finance and were therefore ineligible for RAS support, other than re-establishment assistance. The scheme also replaced the modified JobSearch Allowance which had been introduced in late

1991. Farm Household Support (FHS) was offered as a loan at commercial rates of interest for a period up to two years. Payments were made fortnightly at the level of the JobSearch Allowance. If the farm was sold within nine months of commencing on FHS, the balance of the nine months of payments was received as a lump sum. If the farm was not sold, all of the FHS payments received were repayable to the Commonwealth with interest. If the farmer sold within two years, payments received in excess of nine months were also repayable (Senate Rural and Regional Affairs and Transport References Committee 1994b, p7). This basic structure was similar to the 1988 household support arrangements except that the loan nature of the payments was explicit.

In light of the move towards the determination of viability by the commercial finance market, one would have thought there was no need for a household support scheme of any type. The Rural Adjustment Scheme guidelines included household expenses in the assessment of a farm's sustainable long term profitability (Senate Rural and Regional Affairs and Transport References Committee 1994b, p10), so "viable" farmers should have been able to meet household expenses. Farmers who no longer had the support of their financial institution should technically have been eligible for re-establishment support.

However, the Department of Primary Industries and Energy argued successfully that market failure was occurring in the delivery of farm finance and that a scheme along the lines of Farm Household Support was required to address the needs of two groups: those who were accessing the re-establishment provisions of the Rural Adjustment Scheme and required ongoing finance to meet household needs while they arranged the sale of the farm and, secondly, those farmers who were denied commercial

finance but who believed in their future on the land and would be in a position to "prove" themselves to their financial institution (Crean 1992a). As indicated above, this latter group would then need to repay the household support they had received from the Commonwealth government, with interest. In combination with RAS 92, FHS had the capacity to address all types of poverty experienced by farmers. However, those experiencing structural poverty arising from inadequate resources or long term industry conditions (Musgrave et al's types A and C), and who did not subsequently leave farming, were left with a debt at commercial rates of interest and no avenues for obtaining further income support.

The Farm Household Support Scheme was generally agreed to have been a failure. It was subject to a great deal of criticism for its loan nature, being represented by the Opposition and others as unfair because farmers were seen as the only group in the community required to repay "welfare" payments. In April 1994 there were 346 farmers receiving FHS (Senate Rural and Regional Affairs and Transport References Committee 1994b, p7). By contrast, in late 1993, 920 farm families were in receipt of either the JobSearch Allowance or the NewStart Allowance, in spite of the difficulties faced by farmers in accessing standard Social Security benefits. The Department of Social Security reported in 1994 that "a significant majority of benefits were being paid to spouses" (Senate Rural and Regional Affairs and Transport References Committee 1994b, p8). In June 1995 the number of Farm Household Support recipients had dropped to 107 (DSS 1995, p347) and by June 1996 there were only 42 farmers using the scheme (DSS 1996, p362).

The development of the Farm Household Support Scheme was hampered by both the need to justify the scheme in purely economic terms and the

incremental approach to the development of the scheme — it needed to be like Part C of the 1988 Rural Adjustment Scheme to facilitate the transition of farmers between the schemes but offer more of an incentive to farmers to consider leaving the land. The scheme was ultimately a hybrid — it was designed to be consistent with the government's structural adjustment objectives for the farm sector by not providing incentives for "non viable" farmers to remain on their farms. At the same time, its origins in Part C of RAS 88 and its linkage with the JobSearch Allowance in terms of the amount of support payable presented the scheme as a welfare measure. As a mechanism for adjustment, FHS could be justified as addressing market failure in the delivery of commercial finance to farm businesses. As a welfare scheme, it was subject to much criticism due to the loan nature of the scheme. A typical criticism of the scheme was made by Democrats Senator John Woodley in February 1995 when he stated that Farm Household Support recipients were

among Australia's worst off farmers, and they are being penalised for not being able to sell up their properties and get out of farming altogether. Given the situation in rural Australia at the moment, farmers in many parts of Australia would be lucky to give their farms away, let alone to sell them. In spite of this, these people are ... going to have to repay a debt to the Commonwealth. It is a debt accumulated while they were basically living in poverty; a debt on which the government will charge a commercial interest rate.

...since the object of farm household support payments is solely to cover the day-to-day living expenses of totally destitute farm families, the payments should be made as a grant. (Woodley 1995)

### **Farm Household Support and Part C compared**

As explained above, the Farm Household Support Scheme was developed to complement the new 1992 Rural Adjustment Scheme following the Synapse review of the 1988 RAS. Although there were some superficial differences between FHS and the household support provisions of RAS 88

that it replaced, the overall scheme was only incrementally different from its predecessor.

The main apparent differences between the two schemes were the legislative framework for the scheme and the explicit loan nature of Farm Household Support. Under the 1992 rural policy package, separate farm household support legislation was developed in an attempt to make a clear distinction between support for the farm business and assistance to the farm family. The linkage between FHS and other rural policy elements was clear though as the legislation was enacted in the Primary Industries and Energy portfolio not the Social Security portfolio. The loan nature of the scheme was developed to give farmers who were leaving the land the option of paying back any household support debt out of their re-establishment grant or, if they wished to keep the grant intact to purchase a home etc, to repay the debt over time. This choice was not offered to farmers under Part C. Their re-establishment grants were automatically reduced by the amount of the debt. However, as this reduction was disguised, the loan nature of the household support under the 1988 scheme was in effect hidden and, as explained, in some cases the debt was waived altogether by the State RAS Authorities who had no interest in its collection.

Where household support payments under Part C of the 1988 scheme were made to farmers by the State RAS authorities, payments under the 1992 Farm Household Support Scheme were made by the Department of Social Security acting on an agency basis for the DPIE. This effectively shifted responsibility for the administration of the farm household support component of rural adjustment policy from the States to the Commonwealth. The State RAS authorities were no longer involved in assessing the viability of farmers seeking household support as the main eligibility criterion was

inability to access further commercial finance. Evidence for this was provided through a certificate provided by a commercial financial institution. The explicit loan nature of Farm Household Support also meant that the RAS Authorities did not need to include household support payments in their calculation of re-establishment grants. Both FHS and Part C of RAS 88 linked household support payments to farm exit, although the Farm Household Support scheme was also intended to help farmers who no longer had bank support but believed they were viable. Household support payments under the 1988 scheme were intended to be provided as a grant for six months, while FHS extended this to nine months.

The overall philosophy of the schemes was the same. Farm poverty was regarded as a result of a slower than optimum pace of adjustment. The view was that, with the Rural Adjustment Scheme to improve the productivity of those farmers with potential and to provide incentives for exit to those who were not viable in the long term, there was little need for a household support program, except in the cases of financial market failure as outlined above.

To use Lessman's distinction (Lessman 1989), both the policy making process and the content of the policies were characterised by incrementalism. FHS was not developed on a blank sheet of paper<sup>1</sup> — policy makers began with Part C of RAS 88 and worked from there to improve the scheme and reframe it as a separate stand-alone program. Part of the rationale for this was to facilitate the transfer of farmers from one scheme to another. There were also limited time and staff resources to take a synoptic approach to the development of the scheme and Farm Household Support was generally regarded as the least interesting or

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<sup>1</sup> The writer was responsible for much of the drafting and implementation of the Farm Household Support Scheme during 1992 and early 1993.

important part of the policy package. There was a recognition that some sort of household support component was needed but the real interest of the DPIE was in the new Rural Adjustment Scheme and the broader National Drought Policy. In terms of output, the 1992 FHS scheme appeared to be a radical departure from the household support provisions of the 1988 RAS. It was not delivered by the RAS Authorities, it was a loan and a certificate was required from a financial institution to prove eligibility. These changes were, however, largely cosmetic. In terms of its overall objectives, the underlying approach to farm poverty, the amount of money available and who was eligible, little had changed.

### **Conclusion**

The use of structural adjustment programs such as the Rural Adjustment Scheme to address farm poverty has always been a problem. It has been argued that a scheme designed to deliver economic adjustment has no role in addressing welfare issues. Musgrave suggests that

if the objective of policy is to improve the efficiency of resource use, then it should operate on those resources and their markets ... if the objective of policy is to redistribute income, it should be founded on methods of operating directly on incomes and not on the market for resources. (Musgrave 1990, p52)

Unfortunately, a proposal to provide welfare support to farmers in the latter form would have been unlikely to pass the scrutiny of the economists in the coordinating Departments in 1992, particularly the Department of Finance. Among the concerns of these officials was the private enterprise nature of the farm business and a suspicion that a welfare program for farmers would provide an indirect subsidy for the business. This concern was not new. Writing in 1974, Mauldon, and Schapper observed that

unity of farm business and farm household, which is an inherent feature of typical commercial family farms, makes it difficult to sustain the distinction between social assistance which increases farm-business profit or reduces loss, and that which increases farm-household income. (Mauldon and Schapper 1974, p116)



In its submission to the later review of RAS 92, the Industries Commission picked up this point arguing that the "obvious danger with income support is that it could undermine the incentives of farmers to adopt their own risk management strategies". Perhaps surprisingly, the IC went on to state that "[i]n some circumstances, however, events are likely to conspire sufficiently against the farmers to warrant income support on welfare grounds" (Industry Commission 1996, p57).

By early 1993, the Government had in place a complete policy package which it regarded as capable of supporting the farm sector to become more self-reliant, productive and sustainable (Crean 1992b). The package included support for productivity improvement, mechanisms such as income equalisation deposits to enhance risk management through accumulation of financial reserves, farm household support for those unable to access commercial finance or social security, and exit support through the re-establishment provisions. Farm poverty was regarded as a result of adjustment pressures and the Government's response was carefully constructed to ensure the adjustment process was not undermined. It was believed that the enhanced interest rate subsidies available under the new exceptional circumstances provisions of RAS 92 would prove sufficient to see viable farmers through severe events. As the Minister said of RAS 92:

This [scheme] will have, over the remainder of this decade, a significant impact on the development of a stronger, more resilient and more competitive farm sector. It will drive the process of structural adjustment necessary to address the formidable economic and environmental problems facing the sector.

...The provisions for exceptional circumstances will allow us to respond quickly and appropriately to severe downturns without undermining the direction and purpose of the scheme as a whole. (Crean 1992b)

This optimism was short lived. Over the next two years, the Minister was responding to a continuous stream of requests for exceptional

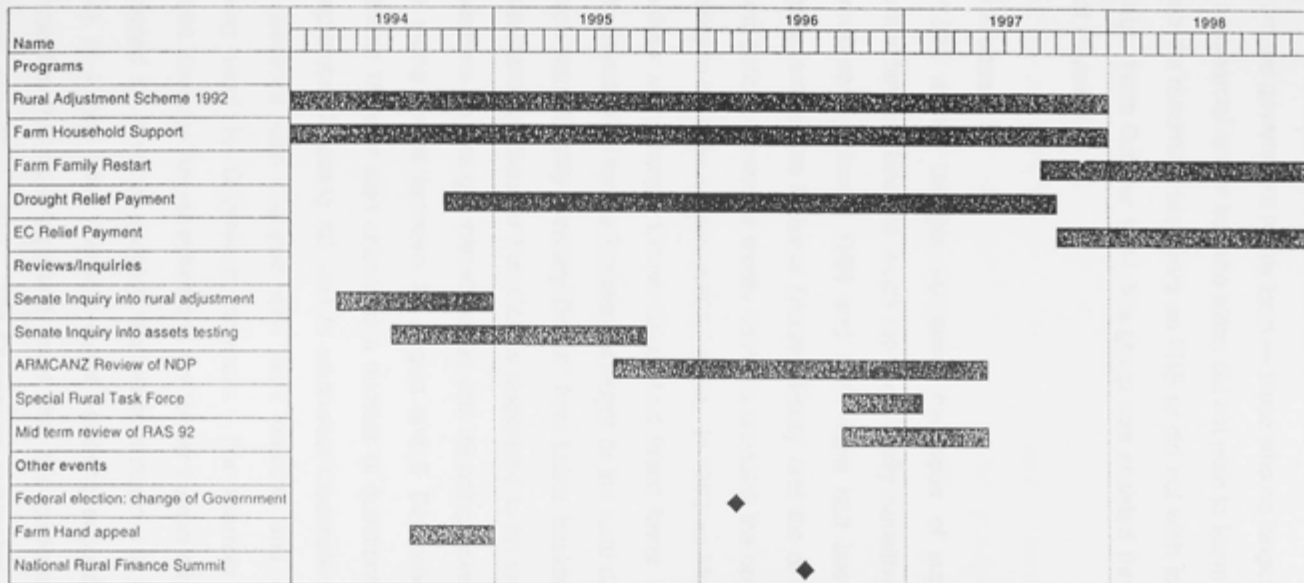
circumstances declarations and there were ongoing debates about the definition of drought and at what point it became exceptional. Incidences of farm poverty began to attract media attention and the issue began to grow in importance as the drought worsened.

#### CHAPTER FOUR: FARM INCOME SUPPORT POLICY 1993 TO 1998

The Commonwealth's rural policy package had come into effect at the beginning of 1993. The exceptional circumstances provisions of the Rural Adjustment Scheme were triggered almost immediately and became the largest expenditure item in the RAS 92 budget over the next four years. At the end of 1994, the drought which had been emerging was being described as "the worst in history" (Wahlquist and Kidman 1994). As the drought continued through 1994, pressure increased on the Commonwealth Government to respond with further assistance to farm families. The media increasingly ran stories on the severity of the drought, and the Southern Oscillation Index and El Niño became part of the public vocabulary. From July 1993 until March 1995 the writer worked as an adviser in the office of the Minister for Primary Industries and Energy and in that role was responsible for providing policy advice in the areas of drought, rural adjustment and farm income support. Between 1994 and 1998 the high level of policy activity in the area of rural adjustment and drought continued as illustrated in Figure Two.

Throughout 1994, the Rural Adjustment Scheme Advisory Council undertook a series of investigations into State claims for new "exceptional circumstances" declarations for drought affected areas. As the declarations were made, increased resources were made available through RAS, however, consistent with the National Drought Policy, this support remained targeted at farmers with prospects of long term profitability in the sector. For farmers who were unable to access commercial finance and were therefore ineligible for RAS support, the options remained re-establishment assistance and exit from farming, the loans-based FHS or, if possible, the JobSearch Allowance under its standard provisions.

FIGURE TWO: PROGRAMS AND POLICY ACTIVITY 1994-1998



There remained a group of farmers who were in need but not receiving assistance from the government in any form — those who no longer had the support of a commercial lender but who either did not wish to leave farming, had exhausted the maximum two years on FHS or did not wish to take on any further debt. From October 1994, this group was assisted through the Drought Relief Payment.

### **The Policy Process**

From early 1994 as the drought worsened, the issue of support for struggling farmer families became much more politically sensitive than it had been previously. Between 1989 and 1993 there had been broad bipartisan agreement on the National Drought Policy and the direction of rural adjustment policy. Increased media attention provided the opportunity for drought policy to become a more political issue. In 1993 as Minister for Primary Industries and Energy, Simon Crean had faced fewer than ten questions without notice on rural adjustment, drought or the rural downturn, several of which were friendly "Dorothy Dixers" from Labor backbenchers. In 1994 the new Minister, Senator Bob Collins responded to an increasing number of questions on drought-related issues with 35 being asked in the parliamentary sitting period between 23 August and 8 December 1994 alone. The Prime Minister also answered a number of questions on the drought in September following his visit to southwest Queensland. The tone of the questions also changed with more emotive and colourful language being used by Opposition members. For example on 19 September 1994, Senator Tierney referred to the "sheer human misery that has been created by what is possibly the worst drought this century" (Tierney 1994). In August 1994, Senator Grant Tambling suggested that "drought is probably the most important issue that this parliament can currently address" (Tambling 1994). The Opposition suggested that the

Labor government demonstrated a "lack of understanding of the extent of severe drought in Australia" (Tambling 1994), attempting to capitalise on a widespread feeling in rural Australia that Labor was not sympathetic to farmers and therefore could be doing more to support drought-affected farmers and communities.

Politics also became important in the relationship between the Commonwealth and State governments. There was much debate between State and Commonwealth Ministers about the declaration of exceptional circumstances drought, arising from the lack of a clear definition of "exceptional circumstances". This was compounded by the different drought declaration procedures in place in the different States, varying from the declaration by the members of the individual Rural Lands Protection Boards (RLPBs) in NSW to a more rigorous and scientific approach in Queensland. Accordingly, the Commonwealth developed a rough yardstick of two years of drought in three to determine whether a case may exist for an exceptional circumstances declaration. In 1994 the issue came to a head when the Commonwealth received exceptional circumstances submissions for a number of RLPBs in NSW. On going through the rainfall records for a number of the areas covered by the submission, the Commonwealth Minister's Office determined that some of the areas had experienced as few as 15 months of drought declarations in 36. This led to a heated debate between the Minister for Primary Industries and Energy, Senator Bob Collins and the NSW Minister for Agriculture, Ian Causley about the definition of "two years out of three", with Collins arguing that two years in three should translate to a minimum of 24 drought declared months in 36.

Heightened political and media attention being given to the drought situation resulted in increased involvement of the Ministerial Office in the detail of drought policy. In one incident, tensions arose between the Office and the Department over the premature release by a Departmental officer of a draft list of regions to be declared subject to the exceptional circumstances provisions. When the official announcement omitted some areas that had been named by the Officer, the Minister was faced with dealing politically with accusations of having removed particular areas from eligibility for support.

At the Departmental level, the Standing Committee on Agriculture and Resource Management convened a drought declaration Workshop on 18 October 1994 to consider a uniform national process for exceptional circumstances drought declarations (ARMCANZ 1994a, p5). Later that month, at its meeting on 28 October 1994, the Agriculture and Resource Management Council of Australia and New Zealand agreed on

a harmonised system for considering future drought declarations based on the following common set of core criteria which are to be taken into account by both the Commonwealth and the States/Territories in future consideration of any drought and exceptional circumstances declarations:

1. meteorological conditions;
2. agronomic and stock conditions;
3. water supplies;
4. environmental impacts;
5. farm income levels; and
6. scale of the event. (ARMCANZ 1994a, p3)

Policy makers continued to respond within the broad framework of the National Drought Policy, without really addressing the key issues of delivering effective income support to Australia's farm families. By mid-1996, the drought was mostly over and there had been a change of government at the Commonwealth level.

The new Minister for Primary Industries and Energy, John Anderson instituted an ambitious review of rural policy in the first twelve months of the new Coalition Government. In fulfilment of an election promise, a National Rural Finance Summit was held in Canberra in June 1996. Reviews of the Rural Adjustment Scheme and of the impact of the Social Security assets test on farmers were also commenced, followed in early 1997 by a review of the National Drought Policy. Policy responses to the issues of farm poverty continued to evolve based on principles of self-reliance and enhanced productivity. The path of this evolution was barely interrupted by the election of the Coalition Government as the changes which the new

**Table Four: Major Policy developments 1994-1998**

Year	Development	Key Income Support Features
1994	Farm Hand Appeal	<ul style="list-style-type: none"> <li>• Public Appeal to assist farmers with meeting day to day necessities</li> <li>• Funds raised were matched dollar for dollar by the Commonwealth Government</li> </ul>
1994	Drought Relief Payment	<ul style="list-style-type: none"> <li>• Available as a grant in drought exceptional circumstances areas</li> <li>• Assets test on off-farm assets only</li> <li>• Not limited to farmers with long term prospects in farming</li> <li>• Available at the rate of the JSA</li> <li>• Included exemption from the Austudy assets test and access to a Health Care Card</li> </ul>
1994	Senate Inquiry into Rural Adjustment, Rural Debt and Rural Reconstruction	<ul style="list-style-type: none"> <li>• Welcomed the introduction of the Drought Relief Payment</li> <li>• Called for a significant overhaul of the Farm Household Support Scheme</li> </ul>
1996	National Rural Finance Summit	<ul style="list-style-type: none"> <li>• Called for a "welfare system that works for rural Australians"</li> </ul>
1996	Special Rural Task Force Review of the Assets Test	<ul style="list-style-type: none"> <li>• 21 recommendations to improve the operation of the assets test</li> <li>• Recommended that the requirement to offer the farm for sale be removed from social security hardship provisions</li> </ul>
1996	Review of RAS 92	<ul style="list-style-type: none"> <li>• Concluded that RAS was not appropriate to the adjustment needs of Australian agriculture</li> <li>• Called for more responsive welfare arrangements</li> </ul>
1997	Agriculture Advancing Australia	<ul style="list-style-type: none"> <li>• Extended the Drought Relief Payment to a new Exceptional Circumstances Relief Payment</li> <li>• Introduced the Farm Family Restart Scheme which provided household support payments</li> <li>• Re-establishment grants available for the first two years of the scheme</li> </ul>



Government implemented were in many ways a natural progression from the policy developments which took place under Labor. Mr Anderson was replaced by Mr Mark Vaile following the 1998 election in the new, smaller portfolio of Agriculture, Fisheries and Forestry.

Table Four sets out the policy developments in the period 1994 to 1998 along with their main features. Like the schemes outlined in Chapter Three, these programs continued to be developed incrementally and in the context of the government's structural adjustment objectives.

### **Farm Hand<sup>2</sup>**

While both State and Commonwealth Governments attempted to contain their policy responses to the drought within the confines of the 1992 National Drought Policy, pressure was building from the churches and welfare groups to respond to a perceived welfare crisis in rural areas, particularly in the worst hit regions of southwest Queensland and northern New South Wales. Television news stories in metropolitan Australia were including nightly reports of the drought, with graphic footage of dying sheep and parched landscapes. In August 1994, the Farm Hand appeal was launched by television personality Ray Martin, seeking public donations to assist farm families who were having difficulty meeting day-to-day living expenses (Burdon 1996b, p117). The fund collected \$10 million during its existence and this was matched by the Commonwealth Government. The objective of the fund was specifically to address farmers' problems with meeting living expenses and the only non-household debts which were assisted were basic necessities such as car registration or tyres in cases where families were particularly dependent on their vehicles. Most of those who received support had around \$10,000-\$12,000 of identifiably personal

<sup>2</sup>This section on Farm Hand based on an interview with Doug Miel, Farm Hand Appeal Coordinator, Canberra, 2 February 1999

or family debt, as distinct from debt associated with the farm business. These debts were largely owed to the local community so Farm Hand had the added benefit of easing the impact of the drought on small non-farm businesses in drought affected areas. The assistance was originally targeted at supporting families in areas declared to be in drought exceptional circumstances, however, following the introduction of the Drought Relief Payment, the emphasis shifted to families in need outside these areas.

Over 7,000 families were assisted by Farm Hand at an average level of around \$2,700, with most families receiving in excess of \$1,000. The assistance was based on an honour system — applicants were not required to provide details of tax file numbers, sources of income or large amounts of personal information. The organisers uncovered some attempts at double dipping where families applied under both their town and farm addresses and around \$100,000 was probably saved in this area through cross-checking the Farm Hand database. Donations to the Fund were largely from the general public. There were also donations from corporations, including the banks, and the Maritime Union of Australia made a significant donation of nearly \$70,000 to the Appeal (Nicholson 1999, pers comm). Farm Hand raised awareness in urban Australia of the plight of many farmers and it also brought home to the farmers themselves that they were not alone, easing some of the stigma of seeking assistance. The profile of the appeal also gave the impression that the community was stepping in where the Government was not prepared to act. The then Opposition were quick to exploit this impression, claiming the Government had been "shamed" into the introduction of the Drought Relief Payment (Anderson 1994).

### **The Drought Relief Payment**

In September 1994, Prime Minister Keating, at the urging of then Minister for Primary Industries and Energy, Senator Bob Collins (Lake 1999, pers comm), visited drought-affected areas of Queensland to meet farmers and see conditions first hand. Keating's visit marked a shift in the Government's attitude to supporting drought-affected farmers. In a speech to farmers, he said that "much of the Australian legend is tied to the bush, and it's time the rest of the country helped battling farmers". He went on to say that the Government "won't leave the country people of this nation behind" (Wright 1994).

During the week following his visit, on 21 September 1994, the Prime Minister announced the introduction of the Drought Relief Payment. This was to be paid to farm families, in areas declared to be in exceptional circumstances drought, at the level of the JobSearch Allowance. Importantly, the payment was not linked to the viability of the farm business. Farm assets were excluded from the assets test, although a test on off-farm assets applied. In recognition that the difficulties of the drought would not cease immediately with the first rains, the DRP was to be available for six months after the exceptional circumstances declaration was lifted (Senate Rural and Regional Affairs and Transport References Committee 1994b, p56). Farmers in receipt of Farm Household Support in drought exceptional circumstance:: areas could transfer without penalty to the DRP. By 30 May 1995, 10,500 farm families were in receipt of the Drought Relief Payment, benefiting over 30,000 people (Collins 1995).

One of the consequences of the introduction of the DRP was that obtaining a drought exceptional circumstances declaration became much more attractive. Where previously such a declaration provided interest rate

subsidies of up to 100 per cent, after October 1994 this was accompanied by possible access to the DRP, a Health Care Card and exemption from the assets test for Austudy. This increased the pressure on the Rural Adjustment Scheme Advisory Council to find in favour of applications for exceptional circumstances declarations.

The combination of media attention and the Prime Minister's involvement lent a sense of urgency to the policy process as government responses to farm poverty moved into the public spotlight. The DRP was implemented by an amendment to the *Farm Household Support Act 1992* and arrangements were made for payments to begin immediately and to be back-dated to 1 October 1994 (Beddall 1994). This urgency contrasted sharply with applications for the modified JSA which had taken eight to ten weeks to process (Senate Standing Committee on Rural and Regional Affairs 1992, p17). Unlike FHS, which was developed as part of an overall policy package in 1992, the drought relief payment was very much a response by the Government to mounting public pressure and to a perception that the existing schemes were inadequate to address the welfare needs brought on by the prolonged drought conditions. As a result, there was no need to present the DRP as part of a structural adjustment package, addressing an identified market failure. The only concession to the objectives of the National Drought Policy was that DRP payments were linked to drought exceptional circumstances declarations made under the Rural Adjustment Scheme and were not generally available outside these areas. However, within drought exceptional circumstances areas, no distinction was made between farmers with long term prospects in the industry and those who were no longer viable. The support was available to meet the cost of daily necessities for all who passed the income and off-farm assets test — irrespective of the health of their business. The Drought Relief Payment

was therefore a significant departure from previous policies in that, instead of seeing the family's welfare as an adjunct to the farm business, the farm household was given priority and its needs were addressed. The welfare of farming families was no longer subordinated to structural adjustment and farm poverty could be addressed more effectively. Throughout 1995-96 an average of 10,000 families per month received the Drought Relief Payment at a cost to the Commonwealth of \$129 million. In June 1996, the Department of Social Security reported that 9,710 farmers were benefiting from the scheme — by contrast there were 42 recipients of Farm Household Support (DSS 1996).

### **The December 1994 Package**

The Drought Relief Payment package was followed in December 1994 by a \$112 million package of long term measures designed to assist farmers with drought preparation. Farm Management Bonds, a variation on income equalisation deposits, were enhanced through an increase in the deposit limit. An investment allowance was introduced for fodder and water storage for livestock, conveyancing and minimum tillage equipment, along with further funding to Landcare in drought areas to prevent environmental degradation. More funds were provided to help restructure farms in drought-prone areas and improve productivity and further money was provided for research into climate forecasting. The package also included additional exceptional circumstances drought declarations (Wahlquist 1994).

### **Senate Inquiry into Rural Adjustment, Rural Debt and Rural Reconstruction**

In March 1994 the Senate Rural and Regional Affairs and Transport References Committee received a reference into rural adjustment, rural

debt and rural reconstruction. The Committee's recommendations were consistent with the overall direction of government policy with its focus on self reliance and risk management. However, the Report did express the view that there was "considerable confusion in the rural community about the focus and objectives of RAS 92" (Senate Rural and Regional Affairs and Transport References Committee 1994b, p ix). Part of this concern related to the dominance within the scheme of the exceptional circumstances component. The Committee recommended that the exceptional circumstances provisions be removed from RAS and set up as a separate scheme subject to a Commonwealth-State agreement. With respect to farm poverty, the Report welcomed the introduction of the Drought Relief Payment but called for the Farm Household Support Scheme to be overhauled significantly (Senate Rural and Regional Affairs and Transport References Committee 1994b, p xiii).

### **Senate Inquiry into the Operation of the Assets Test**

The difficulties associated with providing appropriate welfare support to families in hardship due to the drought once again focused attention on the assets tests that applied to social security payments. It had long been recognised that the low yielding nature of farm assets, the application of the superannuation investment and family home exemptions, and the difficulty of partially liquidating farm assets to meet current expenditure cause special problems for farmers. It has been suggested that, in combination, "these constraints on primary producers ... ensure a much harsher impact of DSS ... assets tests than applies to the population generally" (Synapse Consulting (Aust) Pty Ltd 1992, p49).

The Senate Rural and Regional Affairs and Transport References Committee received two references in 1994 relating to the impact of the

assets test on farm families. The first, referred on 30 June 1994, related to the assets test applying to Austudy and the second, received on 24 August 1994, related to the impact of the assets test on social security benefits. On 31 August the two references were combined (Senate Rural and Regional Affairs and Transport References Committee 1995b, p xi). The Committee noted that the JobSearch and NewStart Allowances were "not designed to provide a guaranteed minimum income regardless of circumstances" but were programs "designed for those unemployed people who are actively seeking work" (Senate Rural and Regional Affairs and Transport References Committee 1995b, p xvii). To qualify for JSA, applicants needed to be unemployed and registered as such with the Commonwealth Employment Service, and pass the activity test and the income and assets tests. While many farmers could not satisfy the activity test due to ongoing maintenance requirements of the farm property, many of their spouses were genuinely seeking off-farm employment and were satisfying the income and activity tests. However, this group was often prevented from accessing benefits because the assets test was applied to the total assets of the couple, ie they were not apportioned. In order to avoid the assets test, farmers could apply for assistance under the hardship provisions, which required that the farm be offered for sale. Many farmers did not comply with this requirement because they were "hoping that their viability would improve" (Senate Rural and Regional Affairs and Transport References Committee 1995b, p8).

The Senate Committee recommended that "applicants for social security payments under the hardship provisions for JobSearch or NewStart Allowances should no longer be required to offer their property for sale." (Senate Rural and Regional Affairs and Transport References Committee 1995b, pxvii) While recommending against the general exemption of all

farm assets from the assets test on social security payments, the Senate Committee did recommend an urgent review by the Minister for Social Security of the hardship provisions of all social security payments (Senate Rural and Regional Affairs and Transport References Committee 1995b, p xxi).

### **National Rural Finance Summit**

As promised by the incoming Coalition government, a National Rural Finance Summit was held in Canberra from 3-5 July 1996. It involved 230 participants and was aimed at developing "a greater appreciation of farm financial issues" and identifying strategies to "contribute to long term sustainability, profitability and international competitiveness of the farm sector" (ARMCANZ 1996, p87). Following the Summit an Activating Committee was established, chaired by the Parliamentary Secretary to the Minister for Primary Industries and Energy, to examine the 135 recommendations which came out of the summit. A Final Report of the Activating Committee was provided to the Minister in February 1997.

Key points raised by the Summit included recognition of the need for "a welfare system that works for rural Australians" and for more effective rural adjustment arrangements (Special Rural Task Force 1997. P45). Along with a Business Plan for Australian Agriculture, these were also the priorities identified by Minister Anderson in his closing address to the Summit (ARMCANZ 1996, p87).

### **The National Drought Policy Revisited**

The August 1995 meeting of the Ministerial Council, ARMCANZ, had agreed to review the responses of Governments to the drought, consistent



with the objectives of the National Drought Policy. The Review was set up to

- examine existing drought response measures and evaluate the impact and appropriateness of these measures and the relative contributions of the Commonwealth and drought-affected States, in meeting the objectives of the National Drought Policy (NDP);
- identify policy options for future droughts which would continue the development of a self-reliant, competitive and environmentally sustainable farming sector. (ARMCANZ 1995, p85)

A draft Future National Drought Policy Statement was considered by Ministers at the September 1996 ARMCANZ meeting. This draft included consideration of farm welfare measures and suggested that the Commonwealth

review the ability of farmers to access general welfare measures through a Department of Social Security Rural Task Force with a view to ensuring farmers have equitable access to welfare (ARMCANZ 1996, p10).

The February 1997 ARMCANZ meeting discussed drought policy in the broader context of farm business risk management. Ministers "accepted the need to integrate the approaches to risk management, adjustment and welfare" and also that "business support needed to be reoriented away from relief measures, including interest rate subsidies, and towards preparedness measures" (ARMCANZ 1997, p19). Ministers agreed to an "integrated National Risk Management (including Drought) Policy" which was focused on self reliance, good natural resource management, structural adjustment, risk management and ensuring farm families could secure their welfare requirements (ARMCANZ 1997, p21).

This approach differed little in substance from previous policy directions. It continued to rest on principles of self-reliance and risk management. There was incremental movement in the area of farm poverty as the Social Security portfolio was drawn into the policy net. Up until this point the

Department of Social Security's involvement with poor farmers had been limited to the delivery of programs on an agency basis for the Department of Primary Industries and Energy.

### **Special Rural Task Force Review of the Assets Test**

On 11 September 1996, the Minister for Social Security announced the establishment of a Special Rural Task Force to investigate the impact of the assets test on the ability of farm families to access social security benefits. The Task Force was set up "in response to concerns across rural communities that the current Social Security assets tests and hardship provisions may disadvantage farming families" (Special Rural Task Force 1997, p4). The Terms of Reference for the Task Force drew particular attention to the impact of the assets test in situations where farmers were unable to sell their properties "due to market conditions"; the position of farmers on small, non-viable holdings; the operation of the hardship provisions; the impact of the assets test on inter-generational transfer and the valuation of land and curtilage (up to 2 hectares surrounding the house) for the purposes of the assets test.

In terms of the main income support measure being sought by farmers, unemployment payments, the income and assets tests were particularly tight. The rationale for this was the need "to maintain work-force incentives and to reinforce the fact that these payments are not intended for long-term support" (Special Rural Task Force 1997, p12). Farmers in difficulty had been able to access benefits through the hardship provisions of the Social Security Act, however, these provisions were quite stringent requiring the farmer to demonstrate that they:

- could not sell their property because there was no buyer or there was some legal impediment to selling;
- could not use their property as security for borrowing; and

- were not receiving or were not eligible to receive other income support payments, such as Farm Household Support (Special Rural Task Force 1997, p13).

The requirement that the farmer offer the farm for sale was considered "proof that they have relinquished the ongoing commitment to their farm" (Special Rural Task Force 1997, p20). This was considered particularly harsh as in most cases this also meant selling the family home.

The Task Force noted that there were many cases where farmers were not accessing support to which they were entitled for a variety of reasons, including wrongly self-assessing themselves as ineligible (Special Rural Task Force 1997, p18) and a reluctance to seek "welfare" (Special Rural Task Force 1997, p41). The valuation of the farm family home was also an issue of concern as the assets test exempts the family home, resulting in the perception that urban home owners with million dollar homes could access social security benefits while farms with similar (non-exempt) asset levels were excluded from support (Special Rural Task Force 1997, p37).

The Special Task Force made 21 recommendations in response to its Terms of Reference. With respect to the hardship provisions, it recommended that

the Social Security Act be amended to remove the requirement for people claiming an allowance payment ... to offer their property for sale. However, a test of reasonableness ... will apply to ensure applicants could demonstrate an attachment to the farm as well as a two year time limit on accessing Social Security payments. (Special Rural Task Force 1997, p7)

The Task Force proposed amending the activity test to "reflect rural and farming situations", possibly by allowing participation in "Landcare, environmental or other community activities that contribute to the social and physical capital of the area" (Special Rural Task Force 1997, p7). With respect to the valuation of the farm home and curtilage, the Task Force

recommended that the "national average value of pensioner house, as determined by the ABS, be assigned to the farm house and curtilage" (Special Rural Task Force 1997, p9).

The Task Force also addressed the welfare position of farm families in the context of the ongoing adjustment process, emphasising the need to separate business support from farm welfare (Special Rural Task Force 1997, p31). The recommendation in this area was that a "time limited, income triggered payment to farmers in severe financial circumstances" be developed. This payment would be for farmers who were accessing an adjustment package and would be "conditional upon farmers entering financial counselling and whole farm planning" (Special Rural Task Force 1997, p8).

The Task Force was chaired by the Parliamentary Secretary to the Minister for Social Security (Newman 1996). This marked something of a change in the attitude of the Social Security portfolio towards the welfare needs of farmers. All previous consideration of farm income support had been initiated and driven by the agriculture portfolio with any needed DSS involvement, such as for the modified JSA and Farm Household Support schemes, provided with some reluctance. The fact that both FHS and the Drought Relief Payment were delivered through legislation in the Primary Industries and Energy portfolio was indicative of the low level of DSS involvement at a policy level in farm welfare issues to this point. The chairing of the Task Force by the Parliamentary Secretary to the Minister for Social Security meant that primary bureaucratic responsibility for the work of the Task Force lay with officers of the Department of Social Security.

### **The Review of RAS 92**

On 10 September 1996, the Minister for Primary Industries and Energy, John Anderson announced a comprehensive mid-term review of the Rural Adjustment Scheme. The Review was to consider the appropriateness of the program, its performance, and the management, administration and delivery of the Scheme. (Anderson 1996b)

The Review Report emphasised the need for Government policy to focus on profitability, sustainability, competitiveness and self reliance, however, it concluded that "RAS 92 is not appropriate to the adjustment needs of Australian agriculture in either today's business environment or that expected in the next century" (McColl et al. 1997, p ix), stating that "RAS 92 has generally addressed symptoms rather than causes" (McColl et al. 1997, p118). The Report was critical of the scheme's main support mechanism, interest rate subsidies, arguing that "[t]here appears to be no compelling evidence of significant failure of financial markets warranting government intervention to lower farmers' borrowing costs" (McColl et al. 1997, p 37). It is worth noting that the Synapse Review of 1992 had been similarly concerned about the use of interest rate subsidies, recommending that they "be viewed, at best, as fall back strategies" (Synapse Consulting (Aust) Pty Ltd 1992, p35).

The 1997 Review identified a number of major themes, including the need for farmers and government to distinguish clearly between the objectives and needs of the farm business and the farm family. The Review Team recommended the termination of RAS 92, to be replaced by a new Farm Business Improvement Scheme, which focused on skills enhancement, a separate re-establishment scheme, and "more responsive welfare arrangements" to meet short term welfare needs (McColl et al. 1997, p xii).

### Agriculture Adjustment Australia (AAA) Package

Like the Senate Inquiry, the Review team was very concerned about the confusion over the purpose of RAS 92, noting that RAS expenditure up to 1997 had been dominated by funding ongoing commitments under RAS 88 and exceptional circumstances interest subsidies. While recognising that "acute welfare problems" (McColl et al. 1997, p114) had occurred during the drought, the Review team argued that

[w]elfare assistance should not be delivered through instruments that assist businesses. Such an approach confuses the objective of the intervention, doesn't effectively target the welfare problem and distorts market signals to farm businesses receiving assistance. (McColl et al. 1997, p38)

The Review endorsed the recommendations of the Special Rural Task Force, stating that these recommendations "should make the welfare system a more effective safety net for farmers" (McColl et al. 1997, p141).

The Government's response to the review of RAS 92 was to announce that the scheme was to be wound up and replaced by a new program. In announcing his decision, the Minister for Primary Industries and Energy, John Anderson said that the

Government intends to wind up the RAS and replace it with a better program tuned to the need to encourage farmers to improve their planning and risk management skills, or to coin a phrase, to *get smart* (Anderson 1997d) .

A special meeting of ARMCANZ was held in June 1997 at which Minister Anderson sought the input from State Ministers into an Integrated Rural Policy Package aimed at addressing rural adjustment, risk management, drought, farm welfare, farmer business management skills development and training and rural community development (ARMCANZ 1997, p4).

### **Agriculture Advancing Australia (AAA) Package**

On 14 September 1997, John Anderson announced the *Agriculture Advancing Australia* integrated rural policy package. Mr Anderson identified four key objectives of the package

- to help individual farm businesses profit from change;
- to provide positive incentives for on-going farm adjustment;
- to encourage social and economic development in rural areas; and
- to ensure the farm sector had access to an adequate welfare safety net (Anderson 1997b).

In introducing the Bill to Parliament, the Minister addressed the issue of the structure of farm businesses and farm households, stating

In the past, the interrelationship between rural welfare and business policy objectives has not been fully appreciated. In a sense, the integration of family life and welfare with the management of the farm business has been taken for granted. This interrelationship needs to be recognised in addressing the welfare needs of farming families. It is imperative if we are to ensure the current transition in outlook from the family farm to the family farm business runs to a successful conclusion. This means that welfare measures need to be distinct from measures targeted at improving the profitability of farming businesses. (Anderson 1997b)

Although expressed in a new way, the emphasis on farming as a business was not original. In 1992, Simon Crean was referring to farmers as "farm business managers" (Crean 1992b). Elements of the package also sounded familiar, addressing "issues of rural adjustment, farm business risk management and skills development, drought, farm family welfare and rural community development" (Anderson 1997c). The package contained a number of components, including:

- a new tax-linked Farm Management Deposit Scheme, replacing the existing Income Equalisation Deposits and Farm Management Bonds;
- a Farm Business Improvement Program to improve farmers' business management skills;

- assistance to facilitate inter-generational transfer of farm ownership;
- continuation of exceptional circumstances provisions but with a phase down of the maximum level of interest subsidy available and the extension of the DRP to an exceptional circumstances relief payment; and
- a Farm Family Restart Scheme providing welfare support and re-establishment assistance (Anderson 1997c).

The influence of the Special Rural Task Force was most evident in the Retirement Assistance for Farmers Scheme (RAFS) — the main innovation in the AAA package. RAFS was a scheme to facilitate intergenerational transfers of farm ownership by amending the gifting provisions associated with the age pension. Under the provisions of the Social Security legislation, a person in receipt of the age pension could make gifts of up to \$10,000 per year without their eligibility for the pension being reassessed. Until the AAA package, farmers who handed the farm on to a family member found that they were ineligible for the age pension for five years as the gift was worth more than \$10,000. The Retirement Assistance for Farmers program provided a short time period during which this provision was waived for farmers, allowing them to access the age pension as soon as the farm had passed on to the next generation.

Family income support components of the AAA package were incorporated in the new Exceptional Circumstances Relief Payment and the new Farm Family Restart package.

#### *Exceptional Circumstances*

The exceptional circumstances package remained little different from the RAS 92 exceptional circumstances provisions. The benefits were to apply in the event of "exceptional circumstances, such as severe drought, beyond



the scope of normal risk management" (DPIE 1998a). The key difference was the extension of the Drought Relief Payment to cover exceptional circumstances other than drought under the new Exceptional Circumstances Relief Payment. The extended payment would be available "to farmers suffering financial hardship as a result of rare and severe events including, but not restricted to, extreme drought" (Anderson 1997b). As was the case with the Drought Relief Payment, eligibility for the payment would not be limited to long-term viable farming operations.

#### *Farm Family Restart Scheme*

The Farm Family Restart Scheme (FFRS) was set up as "the government's key program for delivering income support to the farm sector" (Anderson 1997b). It was targeted at low income farmers experiencing financial hardship who could not borrow further against their assets. Payments would be available for up to one year at the equivalent of the unemployment benefit, now known as the NewStart Allowance. There was to be no activity test and no requirement to offer the farm for sale. The scheme imposed a binding obligation on recipients to obtain professional advice on the future viability of the business, and career counselling where appropriate. Financial support was made available to obtain this advice (Anderson 1997a).

Although the Minister made a point of distinguishing this new scheme from the FHS scheme introduced by the previous government in that support "will be provided as a grant - not as a loan scheme" (Anderson 1997b), any payments received would be deducted from a subsequent re-establishment grant. In other words, the "grant" became a loan to be repaid by those leaving farming but remained a grant for those who stayed in farming. This feature of the scheme seems contrary to the intention of encouraging marginal farmers to consider seriously the option of leaving the farm as

those who remained were not required to repay the support received. Although it had been roundly criticised, the FHS had been consistent in the message it was sending to farmers — the scheme was a loan unless the farmer left the land in under nine months. Farm Family Restart provided support irrespective of whether the farmer stayed or left. The new scheme addressed both structural and temporary poverty, however, it was time limited and once farmers reached their support limit they were again faced with the choice between exit and poverty.

### **The AAA package and its predecessors compared**

#### *Farm Family Restart and FHS*

The most obvious difference between FFRS and the Farm Household Support Scheme appeared to be that FFRS was not a loans scheme. This was true of farmers who remained on the land. However, as explained above, farmers who accepted re-establishment grants had them reduced by the amount of household support payments received, making the new scheme more like Part C of RAS 88 that FHS had replaced. Both FFRS and its predecessor were available only to farmers unable to access further commercial finance and both were time limited. Where FHS was delivered by the Department of Social Security, FFRS was managed by the government's new welfare delivery agency, Centrelink.

Both FFRS and FHS were developed as part of an overall structural adjustment package for agriculture and both had economic objectives. There is nothing in the structure of the FFRS package to suggest that policy makers looked much beyond the existing policy framework in devising the new scheme. The underlying rationale for the scheme remained unchanged and the amendments that were made were incremental in nature.

### *The Exceptional Circumstances Payment and the DRP*

The exceptional circumstances payment was a straight forward extension of the DRP to allow for payment to farmers subject to exceptional circumstances declarations other than drought. The revised payment appears to be very generous and, as with the introduction of the DRP, will increase pressure on politicians to declare exceptional circumstances events. Like its predecessors, this benefit does not address the needs of farm families outside declared areas. RASAC, since renamed the National Rural Advisory Council, will be under considerable pressure to ensure that declarations are scientifically justified as this payment has the potential for misuse in similar fashion to the Natural Disaster Relief Arrangements.

### *Re-establishment Grants*

While the package retained the re-establishment grant for those leaving farming, it was only to be available during the first two years of the scheme's operation. This move suggested a shift away from earlier policy. Re-establishment grants have been a feature of rural adjustment support for many years and, during the drought, enhanced grants were offered to farmers in exceptional circumstances drought areas as a further sweetener for those considering farm exit.

The objective of re-establishment grants has been to facilitate the structural adjustment of the farm sector by supporting those farmers without long term prospects of productivity to leave farming with dignity and some resources on which to draw in establishing post-farming. Lawrence has argued that where farm exit is considered desirable to accelerate structural adjustment,

there are two ways the liberal theorists can go. They either argue that where inefficient farmers choose to remain in farming their personal circumstances are of no concern to society; or they argue that since society is ultimately penalized by the inappropriately employed resources, the state must intervene to ... rehabilitate those leaving [farm businesses]. (Lawrence 1987, p89)

The latter has been the rationale for offering increasingly generous re-establishment grants to farmers leaving the sector, although as outlined above, this approach only works if the farmer is prepared to accept the judgement that they are not viable and takes the incentive to leave. As Synapse suggested, there is a further potential problem with re-establishment grants:

There is some evidence to suggest that farmers with higher levels of human capital exhibit a higher tendency to leave the industry under adjustment pressure (owing to their greater potential for alternative employment, and linked often to age). If these are also the ones with the greatest potential to make a contribution to wealth creation/economic efficiency in farming then there are opportunity costs associated with not having that potential recognised. The apparent inability or unwillingness on the part of lending institutions to allow for this potential should ... be recognised as a market failure. (Synapse Consulting (Aust) Pty Ltd 1992, p26)

Supporting farmers who wish to stay on the land raises the issue of whether the community should be expected to support what is essentially a lifestyle choice by this group to remain in farming by ensuring they have an adequate income to meet household requirements. Mauldon and Schapper, writing in the early 1970s argued that

People in ... [other] self-employed occupational groups expect, and are expected to look after themselves. If they cannot earn adequate income within their occupation they expect and are expected to change to another. Nor is this thought to be unreasonable for farmers under the conditions of prosperity and full employment which Australia has been experiencing for the last three decades. (Mauldon and Schapper 1974, p110)

The situation is arguably quite different in an era in which unemployment in Australia appears to be a persistent problem. Coupled with the fact that the average age of Australia's farmers is approaching fifty (Haberkm et al. 1999, p56), the prospects of a farmer taking a re-establishment package and finding alternative paid employment are slim. If the family simply moves to the nearest rural town in order to preserve established social and community networks, employment opportunities are even more limited. A

review of the Farm Family Restart Scheme undertaken in March 2000 found that of those farmers who took re-establishment grants, 71 per cent took up residence in the same postcode area after exit (O'Neil et al. 2000, p i).

The other major difference between the farmer and other self-employed people is the nature of family farming. In a study on the causes of stress on family farms, Gray and Lawrence stated that

[t]he feature of farm life which distinguishes it from other occupations is the intimate connection between the farm as workplace, home, career and family tradition. A threat to one is a threat to all. (Gray and Lawrence 1996, p175)

Under these circumstances, a re-establishment grant may not be the incentive to leave the farm sector that its designers intended. In spite of the 1997 RAS Review finding that "there is no objective evidence that availability of re-establishment grants has been a major factor in decisions by farmers to leave agriculture" (McCull et al. 1997, p51), the government has continued to offer the grants. The AAA package initially included a sunset clause on such grants, however this has been extended twice so that they are now available until 30 November 2003. The FFRS review found that 79 per cent of farmers who took re-establishment grants would have left farming anyway (O'Neil et al. 2000, p i). The review also reported that "the overwhelming majority of farmers in receipt of income support indicated that the availability of the [re-establishment] grant would not influence them to leave the farm" (O'Neil et al. 2000, p iv) This raises serious questions about the value of the grant as an incentive to accelerate adjustment by removing non-viable farmers from the land and therefore about the logic of the Government's decision in the 2000-2001 Budget to extend the scheme.

## **The Evolution Of Farm Welfare Policy 1989-1998: A case study in incrementalism**

In the area of farm poverty, incrementalism provides a very accurate description of the policy development process underpinning Australian government responses, as can be seen from the above description of the policies developed between 1989 and 1998. A few key decisions, such as the removal of drought from the Natural Disaster Relief Arrangements in 1989, marked an important change in the policy mix but, on balance, the basis of structural adjustment and drought policy has remained unquestioned as has the linkage to household support. The Farm Household Support Scheme, for example, was closely modelled on the household support provisions of the 1988 Rural Adjustment Scheme. Part of the rationale for this similarity was to ease the transition for farmers from one scheme to the other, but it was also the case that, as predicted by Lindblom and Woodhouse, consideration was only given to a "relatively narrow range of alternatives" in developing the program (Lindblom and Woodhouse 1993, p4). The succession of programs from Part C, through the Farm Household Support Program and Farm Family Restart were sufficiently similar to each other to support Braybrooke and Lindblom's argument that

policy making proceeds through a sequence of approximations. A policy is directed at a problem; it is tried, altered, tried in its altered form, altered again, and so forth. (Braybrooke and Lindblom 1963,p73)

Resource limitations were a very real factor in the development of policy towards farm poverty. For example, the Rural Policy Branch which had responsibility for co-ordinating the Standing Committee on Agriculture and Resource Management Working Group which was preparing the National Drought Policy, responding to the consultant's report into RAS 88 and

developing RAS 92, and developing the Farm Household Support Scheme, comprised four officers, including the Branch Head. At the time of the final drafting of the RAS 92 and FHS legislation, this was reduced to three officers, one of whom was acting in the Branch Head's position.

To state that the policy process has been incremental is not to suggest that there was no coherent intellectual framework within which incremental changes were made. In 1989, the Government set out its policy direction for the rural sector in a major Rural Policy Statement which incorporated environmental sustainability and long term profitability and set out the roles it saw for itself and farmers in the future of the rural sector. This approach was reflected in the objectives of the 1992 Rural Adjustment Scheme and also evident in the development of such government schemes as the Landcare program.

The principles of self-reliance and risk management spelt out in the 1992 National Drought Policy continued to inform the policy process throughout the period under review. Gradual changes occurred within this framework as responses to farm poverty were moved from within the Rural Adjustment Scheme to stand-alone programs and then to a point where, in the case of the Drought Relief and Exceptional Circumstances Relief Payments, welfare support was decoupled completely from structural adjustment policy for those farmers located in exceptional circumstances areas.

Over the decade from 1989 a number of attempts were made to address the welfare needs of Australia's farm families. The high interest rates and low commodity prices of the late 1980s and early 1990s were exacerbated by the severe drought which affected eastern Australia until around mid-1996, resulting in genuine hardship for many farmers. The social security safety

net proved inadequate at addressing the particular asset structure of family farms and alternative approaches had to be developed. Although some of the rhetoric changed, incrementalism remains the best description of the policy process during the period under review, in all three categories identified by Lessman — the decision making process, the content of the policies and the outputs produced (Lessman 1989, p457). The National Drought Policy introduced in 1992 remained largely unchanged from its introduction with its principles of self-reliance and risk management being unchallenged. The rhetoric of the policy played well to the farmers' self image of independence, although an aversion to "welfare" by many farmers has at times made policy development particularly difficult where genuine hardship has been experienced.

Given that the Department of Social Security showed no inclination to provide some scheme for farmers affected by the rural crisis and the drought, the task of providing income support was left to an "industry" Department — necessitating the use of the market failure argument, and the devising of schemes aimed at addressing the perceived shortcomings in the commercial financial markets and linked explicitly to the Government's structural adjustment objectives for the farm sector. Complex linkages were established between access to welfare and achieving the sought adjustment outcomes.

The consistency in the policy model is largely attributable to the high level of bureaucratic control over the policy development process. Key developments such as the preparation and subsequent review of the National Drought Policy were carried out by officials and approved by Ministers. The notable breaks in the linear evolution of farm income support, such as the development of the Drought Relief Payment, were



initiated and driven more by Ministers and their Offices (Lake 1999, pers comm). Keating's statement of September 1994 that the Government was committed "not to leave behind" farm families was therefore a watershed (Kingma 1999, pers comm) in the development of income support policy for farmers. It recognised for the first time that the state had a role in providing income support to small business people (albeit a limited subset of that group) in addition to wage earners. Having made this step, changes in policy since the introduction of the DRP have continued to be incremental.

Also over the period, the issue of separating family issues from those of the farm business shifted. From the recommendation of the Drought Policy Review Task Force in 1991 that RAS was the appropriate mechanism for delivering farm welfare support, through the separate Farm Household Support Scheme to the chairing of the Special Rural Task Force by the Parliamentary Secretary to the Minister for Social Security, there was a gradual transition in the treatment of farm income support. However, after the Task Force had reported, policy development remained in the agriculture portfolio and the program changes that were implemented were once again incremental in nature.

The extension of the DRP is a curious development. "Exceptional circumstances" were originally described in terms of "severe drought or substantial commodity downturns" (Crean 1992b), although the term was never actually defined in the legislation. The first exceptional circumstances declaration was made in early 1993 for excessive rain in South Australia and the only other non-drought declaration related to the wool industry at a time of low prices. The provision of income support for farmers facing low commodity prices could be seen as *de facto* price support for the industry and appears to run counter to the self-reliance

emphasis of policy over the past decade. It also raises the question of how long-term declines in world prices are to be addressed — when is a price drop an exceptional event and when is it one of the normal risks faced by a farm manager? Over the years there has also been pressure for exceptional circumstances to be declared for a “combination of events”, where one event, such as a normal drought, is of itself not exceptional, but in combination with other circumstances such as mouse plagues or low commodity prices is putting severe pressure on farmers.

One of the rationales for responding to severe drought with the DRP was the duration of the event and the fact that the farmers' problems were not at an end once it rained. This does differentiate drought from other “exceptional events”. The excess rain declaration of 1993 was always dubious. The extension of the DRP to cover other exceptional circumstances is likely to increase the probability of this type of declaration and could see massive transfers of public money into the farm sector. Entitlement-based welfare payments can become very expensive — between October 1994 and December 1996, the DRP cost the Commonwealth Government \$270.4 million. If the Government has decided that it is reasonable for these transfers to take place, it surely must raise the question whether it is time for a total welfare package which is not tied to particular events but responds to the needs of farmers and their families in an equitable manner.

It is unlikely that the “AAA” package introduced by John Anderson will be the end of the policy development process, although Anderson's successor, Mark Vaile listed its implementation as his top priority shortly after taking on the agriculture portfolio (Vaile 1998). Rhetoric aside, the welfare components of the package did not offer major departures from the policies

introduced by the Labor government. The focus remained on ensuring welfare responses were consistent with the objective of structural adjustment and policy makers continued to devise schemes to circumvent the assets tests which applied to the standard social security safety net and to persuade marginal farmers to leave the industry.

Over the years from 1989 to 1998, Australian governments introduced a series of schemes aimed at addressing inadequate incomes. The policy process was highly incremental with only a few innovations, such as the development of the Drought Relief Payment — although even this was based on existing schemes in terms of the amount payable, the level of the assets test and the definition of off-farm assets. The DRP itself has in turn been changed incrementally to become the exceptional circumstances payment.

Lindblom's description of the incremental policy process appears to fit this history of government responses to farm poverty. However, his model includes a number of features which ensure that incrementalism is an "intelligent" process, these being the existence of a multiplicity of decision makers promoting a diversity of values and the existence of watchdogs in the policy process whose role is to protect a range of interests. The next three chapters focus on the latter, seeking to identify watchdogs within the policy community who were working to ensure that the interests of poor farmers were represented in the policy process.

## CHAPTER FIVE: DPIE AND FARM POVERTY

Lindblom's model of incrementalism ascribes a watchdog role to government agencies with each major value being the concern of at least one agency (Lindblom 1959, p85). Apart from brief Department of Social Security involvement through the Special Task Force on Assets Testing, responsibility for farm income support policy during the period under review was located in the agriculture Department. This was not new. The portfolio has been responsible for structural adjustment policies since the first Rural Adjustment type schemes were set up in the 1970s and these programs all incorporated an income support component. Prior to this time, the Department was more explicitly concerned with achieving reasonable farm incomes and the myriad price stabilisation and orderly marketing schemes were designed with this objective. During the 1970s a change occurred in the prevailing economic wisdom and by the early 1980s industry support measures were increasingly out of favour as economic liberalism became accepted by policy makers as the framework within which policy was developed. As a consequence, over time, the government's emphasis has moved from providing assistance to primary industry to support farm incomes to promoting structural change in the farm sector in the belief that this was essential in order to retain Australia's position as a leading producer and exporter of agricultural products (Industry Commission 1996).

### History

In spite of constitutional arrangements which suggest that farming should be a State responsibility, the Commonwealth Government has had an active role in supporting agriculture for many years. Initially, programs were developed which were unashamedly aimed at supporting farm incomes through various income and price support schemes across a range of industries. McKay reports that

The objective of raising farm incomes was most clearly stated before the war and in the period immediately following the war. These were periods when government thinking was largely influenced by very low levels of income and indeed outright poverty in many rural areas and industries. (McKay 1972, p29).

He suggests that there were three broad objectives to price stabilisation policies: general economic stability, including farm income; "greater efficiency of resource use by reducing the risk and uncertainty in farming"; and "the welfare of the farmer" (McKay 1972, p27).

#### *The 1960s*

Throughout the 1960s, farmers benefited from being represented strongly by the Country Party in the governing Coalition. As Mauldon and Schapper argue this politically advantageous position ensured that "farmers got social assistance because of their political power, not only because of their needs and the economy's needs" (Mauldon and Schapper 1974, p93). From January 1959 until Labor won power at the 1972 election, the Minister for Primary Industry was a member of the Country Party. Policy making within the Department of Primary Industry (DPI) involved close consultation with industry pressure groups and there was extensive government intervention in agriculture (Warhurst 1982). The policies which were developed during this period were *ad hoc* and unco-ordinated (Campbell 1974, p170; Warhurst 1982, p15) and often developed in response to demands from low income producers for support (Watson 1979p 161). Campbell reports "a tendency under the Liberal-Country Party régime to provide financial succour for ailing rural industries, irrespective of the need for long-term readjustment in the industry." (Campbell 1974, p171)

#### *The 1970s*

The change of government in 1972 brought with it a new attitude towards rural policy. Convinced that the involvement of producers in the operation of rural policy under the Country Party had been too cosy, the Labor Government looked to a new approach. The incorporation of agriculture in

the ambit of the new Industries Assistance Commission (IAC) was an important step in this process, forcing more rigorous scrutiny of claims for assistance. The involvement of the IAC in rural policy was not welcomed by the DPI who did not appreciate another voice in government on agriculture (Warhurst 1982). The Department was seen by its critics as more or less captive of its "clients" with strong alliances between relevant areas of the Department and industry pressure groups (Campbell 1974, p171). Warhurst has argued that the involvement of the IAC permanently changed the nature of rural policy debate "by an injection of economic rationality into most of the participants" (Warhurst 1982, p32) and also generated the "spread of agricultural economists" through the rural policy community (Warhurst 1982, p29).

In the lead up to the 1974 election, Labor made explicit the need for structural adjustment in agriculture. Watson reports that

This emphasis did not reflect any substantial change from the policies of rural reconstruction adopted by the previous government in response to the problems of the dairy industry and the wheat-wool recession: the rhetoric was rather different, however, because the coalition parties seldom confront their entrenched rural clientele with appeals to economic rationality by highlighting the need for change in the economic structure of farming. (Watson 1979, p161)

Although Labor's moves towards reforming agricultural policy were seen by the rural sector as hostile, they were nevertheless being developed in a climate of more interventionist, Keynesian economic policy making. The Department's policy direction was therefore consistent with the economic approach being pursued more generally across Government. In 1974 a Green Paper on Rural Policy argued that

The Government's involvement with assistance for farm adjustment is ... designed to reduce the income problems which arise when help is not provided, and to lessen the inefficiency in the use of the nation's resources that the slow rate of adjustment implies. (Harris et al. 1974, p279)

The reference to adjustment is not the primary focus of this advice — it is important but secondary to the goal of alleviating low farm incomes. Elsewhere in the report it is suggested that there are two major justifications for adjustment policy — social and economic:

The social basis for government action to assist adjustment in the rural industries is to avoid or mitigate the severe welfare problems which can arise as a result of the unimpeded action of market forces. The economic basis for adjustment assistance is that the market does not ensure an efficient adjustment in the allocation of resources in response to changes in economic conditions. (Harris et al. 1974, p203)

The suggestion that market failure occurs on both social and economic efficiency grounds contrasts sharply with later attitudes towards the role of market forces in the economy. This shift is discussed below.

Although the DPI was suspicious of the IAC, the Commission was also operating within the prevailing approach to economic management. The IAC received two major references related to rural adjustment and rural incomes in the 1970s, resulting in three reports to Government. In 1975 the Commission reported on *Rural Income Fluctuations — Certain Taxation Measures* (IAC 1975) which addressed the issue of tax averaging and which recommended the introduction of an income equalisation deposits scheme. A report on rural reconstruction was completed in 1976 (IAC 1976) and the second part of the rural income fluctuations reference was delivered to the government in 1978 (IAC 1978).

The Reports took account of welfare concerns and recognised the human impact of the adjustment process. Neither report produced any new evidence on farm poverty, relying on the Henderson Commission and related research (eg Vincent 1976) as the basis for its consideration of farm welfare measures. In the rural reconstruction report, the Commission suggested there were four objectives of Government assistance for farm

adjustment. These included the "alleviation of harsh and disproportionately borne consequences of change where existing measures are inadequate or inappropriate" (IAC 1976, p15). The 1976 Report also went so far as to suggest that "[m]arket forces left to themselves can seriously undermine the confidence of farmers and other sectors of the economy with which they are linked" (IAC 1976, p4). The Report also rejected the suggestion that low incomes were a result of inefficient allocation of resources and that farm exit was the necessary solution:

The Commission believes that low income is not necessarily an indication that resources are not employed efficiently; in some cases they may not have a better alternative use. Additionally, the Commission believes that any individual has the right to choose his [sic] 'way of life'. Pressure should not be brought to bear on a low income farmer to move out of agriculture against his will; rather he should be assisted to acquaint himself with the opportunities that are available to him in other sectors of the economy, and be enabled to take advantage of them if he wishes to do so. (IAC 1976, p3)

This approach is quite different from the tone of the mid-1990s when removing farmers from the land was an explicit performance indicator for the DPIE (DPIE 1997). The IAC's 1978 report on income fluctuations recommended that "[s]ocial welfare objectives such as the alleviation of low incomes as far as possible be achieved by welfare measures" (IAC 1978, p63).

The return to Coalition Government in the mid-70s saw something of a resurgence in the influence of producers over primary industry policy (Warhurst 1982, p31). On the welfare front, the eligibility criteria for the unemployment benefit were eased in 1976 to allow payment of the benefit to farmers (IAC 1978, p32) and this provided support to many low income farmers during the drought of the early 1980s. By the late 1970s, the Department of Primary Industry was out of step with the economic philosophy of the Treasury which had, over the previous decade, virtually



abandoned Keynesian policies and was embracing neo-classical economics (Whitwell 1986, p178). The DPI continued to resent the involvement of the IAC in rural policy determination. Writing in 1982, Warhurst observed that the Department "contrives not even to recognize the existence of the IAC" (Warhurst 1982, p29).

The Department of Primary Industry's 1979-80 Annual Report clearly illustrates the view it was taking of its role at this time. Its key function was outlined as follows:

The Department is responsible for the provision of advice to the Minister for Primary Industry on rural, forestry and fisheries policies within the constitutional competence of the Commonwealth Government and for the implementation and administration of Commonwealth programs and legislation concerned with those areas of activity. (DPI 1980, p1)

Apart from being more prosaic than later Departmental mission statements, this statement also reflects much less grandiose ambitions for government in shaping agriculture's future. The nature of the policies being pursued is reflected in the description of the Department's activities:

A major part of the Department's functions is concerned with the development of proposals for statutory programs related to the primary industries. (DPI 1980, p1)

The Report then goes on to list existing programs administered on behalf of the Minister for Primary Industry: orderly marketing, price stabilisation, statutory research schemes, land settlement schemes, rural adjustment measures, assistance for forestry, "general and specific financial assistance to rural industries", control of fisheries, "financial assistance to ex-servicemen in relation to their re-establishment in civilian life", "schemes for the promotion of the sale of rural commodities" and export inspection and certification (DPI 1980, p1). Given this level of intervention and the focus on assistance, including financial assistance, concern for the welfare of low income farmers would not have seemed out of place within the

Department's work program. In 1978, the IAC had expressed its concern with this policy direction arguing that

price stabilisation has been pursued for a number of objectives, but as a method of seeking to stabilise the incomes of individual producers the Commission considers that it is not efficient (IAC 1978, p5).

As noted, the IAC's involvement in rural policy was not welcomed by DPI which was less than fully cooperative with the Commission and resisted the transfer of IAC staff into its own ranks, although the Bureau of Agricultural Economics worked closely with the Commission providing data and in house research results as background for its deliberations (Warhurst 1982).

### *The 1980s*

In September 1981 the Minister for Primary Industry in the Fraser government, Peter Nixon set up a Working Group to produce a "Policy Discussion Paper on Agriculture" (Balderstone et al. 1982). The chairman (later Sir) James Balderstone was a grazier and director of a number of Australia's top pastoral and resources companies. It is worth noting that one of the Committee members was JC McColl who later chaired the 1997 review of the Rural Adjustment Scheme. The Balderstone Report was wide-ranging, covering among other topics Commonwealth-State issues, general economic policy, marketing, trade policy, transport, resource management and rural communities issues. Although the report has been described as being "less closely argued from an economic standpoint" than the 1974 Green Paper (Malcolm 1989, p140), it demonstrated a preference for market-driven measures to achieve policy objectives. In setting out the aims and objectives of agricultural policy, the Report stated that "the Group considered that it was not appropriate to prescribe particular growth aims or to try and specify a desirable size for the farm sector or individual industries" (Balderstone et al. 1982, p2). This indicates that farm policy had moved on from McEwen's policies of the 1950s with their explicit production targets.

Among the aims it set for agricultural policy the Balderstone Report argued that agricultural policy should

- **be responsive** to national and international economic developments;
- **create conditions** under which the agricultural sector can handle change and at the same time realise its full potential in contributing to national economic growth;
- **aim to encourage** the efficient use and conservation of the nation's resources; [and]
- **promote** the adoption of new technology and increased productivity in the farm sector (Balderstone et al. 1982, p2)

It saw the RAS as "facilitating adjustment at the margin" (Balderstone et al. 1982, p67) and argued for the scheme's continuation. In the area of farm welfare, the Working Group was opposed to any easing of the unemployment benefit to increase its accessibility to farmers, arguing that

Unemployment benefits are essentially aimed at people on wages and salaries and their application to the self-employed raises questions about the usage of a social security measure to underwrite the incomes of businesses. (Balderstone et al. 1982, p154)

This was an argument that was to be repeated throughout consideration of income support for farmers in the 1980s and 1990s. The Working Group argued that Rural Adjustment Scheme was the most appropriate mechanism for the delivery of welfare support to farmers. The Balderstone Report was "rather overtaken by events" (Malcolm 1989, p140) as it was released in the middle of what was at that time considered to be the worst drought of the twentieth century. However, the conventional wisdom was retained that farm welfare issues belonged in the agriculture department rather than with the social security portfolio.

As has been outlined in Chapter Two, the new Hawke Government very quickly adopted the economic agenda which had been evolving in the Treasury during the 1970s. In 1986 the Prime Minister, Bob Hawke and the Minister for Primary Industry, John Kerin released an *Economic and Rural*

*Policy Statement.* In this paper, the approach to farm issues had shifted markedly from the more paternalistic policies of the Country Party era to a market-oriented position, in which structural adjustment was to be encouraged and farmers were exhorted to regard their farming enterprises in business terms. It would be simplistic to assume that this policy direction was purely a result of the Government's becoming captive of the economists in the bureaucracy. Within Labor's own ranks, there were advocates of structural change in agriculture. A decade before sociologist Michael Pusey sparked debate about economic policy with his book *Economic Rationalism in Canberra* (Pusey 1991), Watson was writing that within the Labor Party

an emerging group of economic rationalists are [sic] inclined to allow market forces to operate in agriculture, arguing that the economic casualties would be treated by welfare measures that are part of an overall social security programme rather than specific programs for farmers. (Watson 1979, p171)

In the mid-1980s relations between the Government and the rural sector became strained and there was a growing level of hostility between the President of the National Farmers' Federation Ian McLachlan and the Labor leadership. In the 1986 Statement the Government offered the rural community a "clear choice":

It can either participate fully in the arrangements that are proposed — make a firm commitment to bring about genuine, constructive change, working with the Government and other interested parties — or attempt to deal with the issues independently. The Government wants to work constructively with the rural sector, as indeed it is working with other sectors, to find effective and durable solutions to its problems. We look to the rural sector to take up the challenge. (Commonwealth of Australia 1986, p8)

The 1986 statement also expressed clearly that structural adjustment objectives would dominate, and that social security support should not be allowed to undermine the adjustment process. The government advised the rural sector that

The provisions of the Social Security Act are not intended to provide **income support** to self-employed people, whether primary producers or other small business people while they are still running their businesses. To do so would distort the economics of farm and business operations. (Commonwealth of Australia 1986, p78)

As well as seeing a shift in the focus of agricultural industry policies away from industry support to the promotion of self-reliance, the 1980s saw changes to three other policies which impacted on the ability of poor farmers to access income support. These were the introduction of the assets test on social welfare payments, the removal of drought from the Natural Disaster Relief Arrangements and the change in the emphasis of the Rural Adjustment Scheme from addressing financial need to supporting farmers with good prospects of long term profitability. These changes closed off three avenues of support which, in the past, had provided financial assistance to farmers in need. The first two of these decisions were the responsibility of other Government portfolios, Social Security and Finance respectively, however they proved to have a significant impact on policy development within DPIE. The assets test meant that the standard social welfare safety net was no longer available to many farm families. As described in Chapter Three, the NDRA decision was instrumental in pushing drought policy away from disaster response to an emphasis on risk management and drought preparation and this philosophy was later reflected in the 1992 Rural Adjustment Scheme.

Although the DPI was slower than others to change its policy approach in the early years of IAC involvement in rural policy (Warhurst 1982), by the mid-1980s, the Department was pursuing policies which were consistent with the neo-liberal direction of the central agencies. The Government's economic philosophy meant that issues of farm income support sat less

comfortably within the Primary Industries portfolio than had been the case up until the 1970s. However, there was no other obvious Department to take on the role. The Department of Social Security's programs were predominantly tailored to address the welfare needs of wage-earners and specific categories of disadvantaged people, and were certainly not structured to address the concerns of the asset-rich but income-poor, or the self-employed. The DSS was also not regarded very highly by farmers who considered the Department to be largely unsympathetic to their situation and lacking in understanding of farm issues (eg Senate Standing Committee on Rural and Regional Affairs 1992, pp17-18). Farmers' reluctance to be seen to be accepting welfare further reduced the likelihood of the successful delivery of income support programs through the DSS portfolio. This latter sensitivity was a consideration in the naming of the Drought Relief Payment in terms suggestive of natural disaster rather than welfare-based income support.

For all of these reasons, responsibility for the human consequences of structural adjustment policy remained with the Commonwealth agriculture portfolio in its various forms.

### **Organisational arrangements**

Within DPIE, responsibility for structural adjustment policy and farm welfare was moved several times between 1989 and 1998. At the beginning of the period under review, responsibility for the administration of the Rural Adjustment Scheme was located in the Agriculture and Forests Secretariat which was a stand alone Branch within the Agriculture and Forests Group, reporting directly to the Group's Executive Director (Deputy Secretary level). Issues relating to rural communities, such as service delivery, infrastructure, and the impact and effectiveness of government policies and programs

were handled by the Rural and Provincial Policy Unit in Corporate Policy Division in Headquarters Group.

A Rural and Provincial Affairs Unit had been established within the then Department of Primary Industry's Corporate Policy Division in 1985. The purpose of this unit was to

assist the Government to develop, provide and integrate policies and programs for rural and provincial Australia and to increase awareness of these policies and programs in rural and provincial areas (Commonwealth of Australia 1986, p84).

John Kerin reports that the establishment of this unit was driven from his Office and was initially fought by the Department (Kerin 2000, pers comm). The unit was later renamed the Rural and Provincial Policy Unit (RPPU) and, by late 1991, included in its remit the examination of Cabinet submissions from other portfolios to ensure that the interests of rural and remote Australia were considered. The Unit also undertook projects such as working with Austel to determine the adequacy of telephone services in rural and remote areas. The RPPU was led by a Section Head who reported directly to the Head of Corporate Policy Division.

These arrangements meant that welfare and rural communities issues were being handled at the highest levels in the Department by a different Executive Director from the one responsible for the administration of the RAS. In late 1991, the modified JobSearch allowance, which was designed as a short term measure to respond to low income problems arising from the rural crisis, was developed within the RPPU even though it included a role for the State RAS Authorities.

In October 1991, the Rural Policy Division was established from relevant portions of Corporate Policy Division and moved from the Headquarters

Group to the Agriculture and Forests Group. The functions which were moved into the new Division included

marketing policy and statutory marketing policy coordination; further processing; agribusiness; drought; the Rural Adjustment Scheme; rural research and development; and rural communities and statistics. (DPIE 1992, p17)

The implementation and management of the RAS remained with the Agriculture and Forests Secretariat which sat outside the Divisional structure and reported directly to the Executive Director (Deputy Secretary) responsible for the Agriculture and Forests Group. The new Rural Policy Division's purpose was "to concentrate on initiating, supporting and monitoring innovative policies for a sustainable, competitive and socially just rural Australia." (DPIE 1992, p17). In his introduction to the Department's 1991-92 Annual Report the Departmental Secretary expressed the rationale for the formation of the new Division as follows:

A more focussed *Rural Policy Division* was created to improve our ability to respond to the human and structural problems being experienced in agriculture, as a result of drought and persistent world market problems. (DPIE 1992, p x).

This reference to the human dimension of the rural crisis was the last time in the 1990s that the Department's Annual Report gave such prominence to the difficulties being experienced by the people involved in farming. Later references to community and social issues were couched in terms of improving access to government and other services and improving the infrastructure on which resource-based industries rely.

Within the new Division, the Rural Policy Branch held policy responsibility for responding to the 1992 consultants' report into the Rural Adjustment Scheme, coordination of the National Drought Policy Working Group and the development of the Farm Household Support Scheme. In 1992 this Branch only consisted of a Branch Head (Assistant Secretary), one Section



Head (Director)<sup>3</sup> and two Assistant Directors. Rural Policy Branch therefore relied heavily on the Agriculture and Forests Secretariat for input into the development of the new Rural Adjustment and Farm Household Support schemes in the form of advice about the operation of the existing RAS scheme and its management. The staff of the RAS Secretariat were clearly annoyed that the review of the scheme was being undertaken by another area of the Department whose officers did not have their level of familiarity with the operation of RAS 88 and as a consequence were reluctant participants in the process. This situation was compounded by a personality difference between the Head of the Rural Policy Division and the Assistant Secretary responsible for the RAS Secretariat, making the resolution of any differences at a more junior level more complicated.

The exchange of information was not always smooth and in some cases the Secretariat staff failed to point out where the management of RAS in fact delivered different outcomes from the legislated intention. An example of this oversight, which subsequently caused considerable public relations problems for the government, was in the area of the nature of household support provided under Part C of the 1988 Rural Adjustment Scheme. Under this scheme, any household support a farmer received after the first six months' worth of payments was deducted from the re-establishment grant provided when the farm was sold. As was the case with the later Farm Household Support scheme, if the farmer did not leave the land, all household support payments were repayable. In practice, the RAS authorities did not always explain to farmers that deductions of household support payments had occurred in the calculation of the re-establishment grant they received. The FHS scheme by contrast was explicitly a loan scheme with the re-establishment grant being calculated without any

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<sup>3</sup> The writer held the position of Director in the Rural Policy Branch from March 1992 to June 1993

household payments being removed. Farmers could then opt to repay from the grant or make other arrangements. The effect of this change, in light of previous practice, was to give the impression that FHS was a much tougher scheme because it required the repayment of the household support payments. This had in fact happened under RAS 88 but had been hidden in the calculation of the re-establishment grant. In addition, States had the discretion under the 1988 Scheme to convert some Part C household support loans to grants. In some States, this conversion was virtually automatic — which was not surprising as the loans to be collected were Commonwealth funds and the States were therefore able to be very generous with this discretionary power at no expense to themselves.

In developing the FHS Scheme, the Government decided to increase the generosity of the household support payments by increasing the grant component of household support from six months to nine. However, in those States where the loans had been converted to grants as a matter of course, the new scheme was not an improvement and its credibility was further undermined by the complaints about its explicit loan nature. Had the Agriculture and Forests Secretariat communicated more effectively with the Rural Policy Branch about the prevailing practice in the administration of the scheme, it is likely that this problem would have been addressed.

In October 1992, a decision was taken to co-locate policy and program delivery areas and the Rural Policy Division and the Agriculture and Forests Secretariat were combined to form the Rural Division. The purpose of the merger was “to provide closer co-operation between policy development and program administration and to encourage a stronger, sustainable, more innovative, responsive and market oriented rural sector” (DPIE 1993, p18). The new Division's role included the promotion of “a more equitable,

socially just and economically resilient rural sector" (DPIE 1993, p117). However, the Division's focus remained overwhelmingly economic, with the primary performance goal for Rural Division being to "support farm level adjustment and productivity growth and development by providing financial incentives, counselling, education and training and other services to farmers" (DPIE 1993, p117).

From 1993, the structure of the Rural Division remained relatively stable, retaining responsibility for both the policy and program elements of adjustment as well as communities and welfare issues. The staff working on rural policy expanded considerably from four officers in 1992 to 45 by 1997. This reflected an increased emphasis on rural adjustment within the Department and also the extra work generated by the drought. In December 1993, the Division was moved from the Agriculture and Forests Group back to the Headquarters Group and in 1994 a new Rural Adjustment Branch was established to manage RAS 92 and provide the Secretariat to the Rural Adjustment Scheme Advisory Council.

### **Departmental mission and objectives**

The changing focus of Departmental policy over the period under review is reflected in the objectives and performance measures of the Rural Adjustment and Services sub-program reported in the Department's Annual Reports. In 1990-91, this sub-program's objectives were quite specific:

Provide in an efficient and effective manner, financial incentives and counselling assistance to enable farmers to

- Overcome short term financial difficulties arising from causes beyond their control
- Improve farm performance through changing farm sizes, improving managerial and financial skills, and/or by adoption of improved practices and technology
- Make an orderly exit if, after all options have been considered, they are without prospects in the industry.

- Improve access to services and government programs in non-metropolitan areas

- Provide accessible and relevant community-based education and training in rural areas.

- Encourage the development of a new marketing ethos by training key people in the marketing chain in marketing skills with a view to increasing exports among Australia's primary and allied industries. (DPIE 1991, p112)

In addition to the emphasis here on financial support to farmers, the Annual Report for 1990-91 included as the first point under "Departmental Philosophy": "[s]ensitively consider the impact of our activities and recommendations on the people affected by them" (DPIE 1991). This philosophy was repeated in the Annual Reports for 1991-92 and 1992-93 but disappeared thereafter.

By 1996-97 the DPIE Annual Report was almost completely focused on the economic performance of the rural sector. The objectives for the Rural sub-program had become:

- Encourage the realisation of the sustainable economic potential of the rural sector.

- Redress barriers to rural people's access to the full range of Government and other social, economic and rural services. (DPIE 1997, p65)

The program's performance measures included "take-up by non-viable farmers of re-establishment support, freeing resources for more productive use" (DPIE 1997, p66). This was the first time the removal of farmers from the land had been explicitly listed as a performance indicator for the Commonwealth Department.

Throughout the 1990s, there was no reference in either the Department's or the Division's objectives to income support. The reference to social issues was in the form of a strategy to "[e]stablish access to necessary social and

welfare services for communities on which non-metropolitan enterprises depend". This was to "include education and training for farmers, health policies for rural areas, industry strategies for indigenous people and the inclusion of rural women in policy making" (DPIE 1997, p11).

The election of the Howard Government in 1996 did not mark a return to the policies of the 1960s. The tradition of placing a National Party Minister in charge of the agriculture portfolio was respected, but the policy direction remained little changed from that pursued by the previous government. As will be discussed later, this policy direction had the full support of the farmers' pressure group, the National Farmers' Federation.

References to farm welfare appeared in the 1997-98 Annual Report of the DPIE in the context of the promotion of the new Government's Agriculture Advancing Australia (AAA) policy package. As has been discussed, the welfare component of this program was very similar to the earlier Farm Household Support and Part C of the 1988 Rural Adjustment Scheme, with income support being available only for a limited time and linked to farm exit. Under the AAA package, the Drought Relief Payment was extended to become the Exceptional Circumstances Relief Payment, although it was made clear that this was

not engineered to underwrite the fortunes of individual farmers, and should not impede the normal adjustment processes necessary for Australia to maintain a competitive and profitable farm sector. (RASAC 1999, p3)

In 1997-98, DPIE was clear about the future of farming:

Over recent years the focus has changed from "the family farm" to the "family farm business" encouraging farmers to seek greater skills in business management, risk management and to take full advantage of computers and other information technology. (DPIE 1998b, p52)

Farm welfare was mentioned in the Department's Annual Report as part of "Top Priority Project 1.5" which was to "[d]evelop an integrated Rural Policy

Package which covers rural adjustment, risk management, drought, farm welfare, skills development and training, and rural development" (DPIE 1998b, p108). The Report stated that the farm welfare component of this objective had been met through the Farm Family Restart, Retirement Assistance for Farmers and the Exceptional Circumstances schemes (DPIE 1998b, p110). The Rural Adjustment Scheme Advisory Council Report for 1998-99 described the AAA programs as "critical in assisting the management of adjustment related human issues" (RASAC 1999, p3). The Report stated that the aim of the package was "to continue to facilitate the processes of efficient and socially just structural change and to promote a more productive and profitable farm sector." (RASAC 1999, p3)

### **The Focus of RAS**

The focus of the Rural Adjustment Scheme also provides a good indicator of the direction in which DPIE thinking was moving through the 1990s. The 1989-90 Annual Report of RAS, reporting on the first full year of the 1988 scheme, described its structural adjustment focus as follows:

An important aspect of the arrangements introduced in 1989 is the emphasis that farming is first and foremost a business which must be run on proper business management lines if it is to survive and prosper. The RAS is not aimed at keeping farmers on the land or propping up farm enterprises that are not viable in the long term. (Rural Adjustment Scheme 1990, p4)

In spite of the strength of this statement, support was provided on the basis of financial need. Although the 1991-92 Annual Report of the Rural Adjustment Scheme (1988) states that "[t]he overriding objective of the RAS is to achieve effective structural adjustment of farm enterprises in the Australian rural industry" (Rural Adjustment Scheme 1993, p9), it goes on to describe the operation of the scheme as follows:

Assistance is provided *on a needs basis* and is targeted towards those farmers whose farm enterprises have the capacity to become profitable in the long term but which are *experiencing financial*

*problems arising from circumstances beyond their control.* (Rural Adjustment Scheme 1993, p9 — emphasis added).

This focus on financial need was reflected in the new Rural Policy Division's primary performance indicator in 1991-92, which was to "[s]upport farm level restructuring and encourage improved management by providing financial incentives, counselling and other services to farmers *in financial difficulties*" (DPIE 1992, p109 — emphasis added).

This approach contrasts with the principles inherent in the National Drought Policy and RAS 88's replacement, RAS 92, which were heavily focussed on self-reliance and risk management. This latter scheme delivered support, not on a needs basis, but to "farmers who have prospects of sustainable long-term profitability with a view to improving the profitability of their farm units" (Rural Adjustment Act 1992, Section 3 (2)(b)). The decision on who such farmers were was largely left to the market, with the farmer's ability to access further commercial finance being used as a key eligibility criterion under the scheme.

A major exception to this trend occurred with the introduction of the Drought Relief Payment in October 1994. As outlined in the previous chapter, by later 1994 the drought had become a more political issue and there was increased involvement in the policy detail by the Ministerial Office. The development of this scheme was driven from the Minister's Office and went through Cabinet with the support of the Prime Minister, Paul Keating. Although the DRP's introduction marked some change at the political level in attitudes towards income support for farmers, at the bureaucratic level these issues continued to sit uneasily in an economically focused industry Department. Meetings held between the Department and the Minister's Office on rural adjustment issues invariably included the Director of ABARE which ensured a strong economic flavour to the discussion. There were

not, however, equally powerful advocates for alternative approaches present at these discussions.

### **Cabinet procedures**

A further element which had an impact on the nature of DPIE's responses to farm poverty in the 1990s was the procedural requirement that all draft Cabinet submissions be agreed with the Departments of Finance, Prime Minister and Cabinet and the Treasury prior to lodgment with the Cabinet Office. These central agencies, or co-ordinating Departments, therefore had an effective power of veto over which submissions were even considered by Cabinet. Their agreement to the Budget numbers included in the submission was a Cabinet Office requirement.

In order to obtain Department of Finance agreement to the Farm Household Support package, for example, DPIE presented the need for the scheme in terms of market failure. A complex table was developed which explained how different groups of farmers, from the viable, through the potentially viable to the non-viable, obtained necessary carry-on finance in times of downturn. The objective of this exercise was to demonstrate the need for Government intervention in the form of household support to assist two groups. The first group comprised those who were in the process of taking advantage of the re-establishment provisions of RAS but needed to feed their families while the sale of the farm went through. The second group, the argument went, was the victim of market failure. The commercial banking system failed to appreciate that these farmers had a viable future in farming and the Government therefore needed to step in and provide access to loan funds, on commercial terms. There was little scope within the debate with the central agencies for an industry Department such as



DPIE to argue that there was a low income problem in agriculture that warranted a welfare response.

### **Conclusion**

The DPIE and its predecessors have been involved in developing policy in response to low farm incomes since a separate Department of Primary Industry was first established in 1956. This role sat very comfortably within the portfolio during the Country Party years until 1972. Under Labor in the early 1970s, although the involvement of the IAC increased the focus on the economic impact of farm support policies, the predominance of Keynesianism meant that the human impact of structural adjustment was still regarded as a primary concern of the portfolio. The Fraser years saw the re-emergence of "a familiar pattern" of government support for rural prices and incomes (Watson 1979, p167) in some industries and the Balderstone inquiry set out a policy direction that "was more inclined ... to veer in the direction of equity for farmers when faced with conflicts between equity and economic efficiency" (Malcolm 1989, p141). The advent of the Hawke government saw the rise of economic liberalism across the Commonwealth Government and by 1986 this was as clear in the Primary Industry portfolio as elsewhere. The small Rural and Provincial Policy Unit was concerned with the human dimensions of structural adjustment, however, it was not particularly successful in influencing the approaches of the economists within the Department. As the emphasis on structural adjustment and economic efficiency strengthened, the welfare of farmers moved from a central concern of primary industry policy makers to a side issue to be dealt with in the context of the broader objective.

By the end of the 1980s, farm poverty was no longer a key concern of the Department but with no other obvious home, it remained part of the

responsibility of those developing structural adjustment policy. In the mid-1990s, rural communities issues such as access to telecommunications, the shortage of general practitioners in the country and the withdrawal of services from rural areas were hived off to the Regional Development portfolio established by the new Howard Government. The only change of note in relation to farm welfare issues followed the 1997 review of RAS, when responsibility for distributing re-establishment grants was moved from the State RAS Authorities to Centrelink as part of the Farm Family Restart package. Policy responsibility remained with DPIE and its successor, Agriculture Fisheries and Forestry Australia.

A number of writers have noted that the location of particular areas of responsibility within a bureaucracy can be an important consideration, as different bodies address issues from different perspectives and against different priorities (Dror 1968, p174; Allison 1971, p67; Eyestone 1978, p98; Hogwood and Gunn 1984, p172; Colebatch and Larmour 1993, p106). Kingdon describes the categorisation of problems as an important part of the policy process:

The first cut at analyzing anything is to place it in its proper category. People will see a problem quite differently if it is put into one category rather than another. Thus much of the struggle over problem definition centers on the categories that will be used and the ways they will be used. (Kingdon 1995, p111).

The persistent categorisation by Australian governments of farm poverty as a farm adjustment issue rather than a welfare problem resulted in the complex programs outlined above.

In applying organisational theory in his analysis of the Cuban Missile crisis, Allison writes

Governmental behavior can ... be understood ... less as deliberate choices and more as *outputs* of large organizations functioning according to standard patterns of behavior (Allison 1971, p67).

He explains that the standard approaches of existing organisations can influence policy outcomes:

The behavior of these organisations — and consequently of the government — relevant to any issue in any particular instance is, therefore, determined primarily by routines established in these organizations prior to that instance. (Allison 1971, p68)

Standard operating procedures can also explain problems in implementation of policies (Art 1973, p477). A good example is provided by the implementation of the Farm Household Support Scheme. As it was set up as a loan scheme, a mechanism was required to keep track of and collect repayments once farmers came off the program. Although the Department of Social Security was making the payments it did not have an established procedure for tracking or collecting loan repayments so that responsibility remained with the DPIE. The decision was made that the role be allocated to the Levies Management Unit within the Department as it was already collecting levies from primary producers for such purposes as research and development and therefore had systems for the collection of money. The Unit was very reluctant to become involved in this new activity and by early 1995 still had no system in place for either tracking or collecting loans, even though by this time farmers were coming off the scheme. When the Rural Division was moved to the Headquarters Group in 1993, the Levies Management Unit remained with the Agriculture and Forests Group. This meant that the unit which was supposed to be collecting FHS debts and the Division responsible for managing the scheme reported to different Deputy Secretaries. Even by 1997 when the new Coalition Government decided to forgive all FHS loans, no repayments had been collected by the Levies Management Unit.

Relying on bureaucratic structures to explain policy does not account for the values which particular individuals bring to the job (Art 1973). Although conventional bureaucratic politics theory suggests that "where you stand depends on where you sit" (attributed to Don K Price in Allison 1971, p176) this does not account for the possibility that individual officers within an organisation will have different levels of interest in a particular issue. Kingdon raises this issue suggesting that some ideas fail to get very far in the policy community because officials find the issue to be "messy, unlikely to produce much cost savings, and, most important, not really tied to their intellectual preoccupations" (Kingdon 1995, p127). This description could easily be applied to the handling of farm poverty within DPIE — to many it was an inconvenient side effect of structural adjustment policy that needed to be dealt with.

Unlike other specific interest groups, such as women and migrants, who have had separate Offices established to represent their interests across portfolios, an Office of Rural Affairs has never been established at Commonwealth level. This is in spite of a number of attempts to have such a body set up both from within the Department itself, from external groups and from government backbenchers (Sorenson and Epps 1993, p280). As an "industry" department, DPIE/AFFA is constrained from tackling farm income issues in purely welfare terms. This has resulted in the development of programs which are presented in terms of addressing market failure, such as perceived shortcomings in commercial financial markets, and which are linked explicitly to the Government's structural adjustment objectives for the farm sector. Over the period under review, the Social Security portfolio demonstrated a great deal of reluctance in becoming involved in either the development or delivery of welfare support to farmers.

## CHAPTER 5.6 THE INTEREST GROUPS

Given the nature of policy development in Canberra, the location of policy responses to farm poverty in the agriculture portfolio also resulted in something of a mismatch between the bureaucracy and the interest groups which perhaps could have been active in this area. The relationships between government departments and interest groups are developed over time and tend to be along portfolio lines — for example the key officials with whom officers of the Australian Industry Group or the Minerals Council of Australia deal on a regular basis are located in the Industry, Science and Resources Department, with some contacts with the Environment Department on issues such as Greenhouse response policy. As primarily an industry portfolio, DPIE was not a target agency for welfare groups and there were therefore few established networks through which informal consultation on farm welfare policy could be undertaken.

Within the Department, there has been a series of organisational re-arrangements which have moved responsibility for welfare and communities issues. The frequency of the changes and the oblique manner in which the Annual Reports refer to the welfare of farmers suggest overall portfolio discomfort with these issues. DPIE's mission throughout the 1990s contained no reference to farm incomes and its Annual Reports make it clear, by omission, that farm poverty was not a major portfolio concern. However, neither was it a major concern of any other Commonwealth Minister or Department.

## CHAPTER SIX: THE INTEREST GROUPS

The previous chapter outlined DPIE/AFFA's involvement in the development of farm income support policy. On balance, the Department has not been a particularly effective watchdog for poor farmers partly because it has been constrained by its industry development charter from seriously considering this welfare issue and also due to a low level of Departmental interest in the losers from the structural adjustment process. In addition to government agencies, Lindblom also sees an important role for interest groups in providing and protecting a diversity of values (Lindblom 1959). The various partisans develop expertise in their area of specialisation and work to articulate concerns which may be neglected by other players to ensure that their values and interests are incorporated in the policy development process. This chapter examines the involvement of key interest groups in the development of policy in response to inadequate farm incomes, focusing on the activities of the major interest groups. These are the players with the capacity to influence the policy development process. This emphasis on insider groups (Matthews 1997) reflects the reality of policy making in Canberra and the limited impact smaller, less well known groups have on the policy process.

### **Farm Organisations**

#### *National Farmers' Federation*

As the representative of farmers in Canberra, the National Farmers' Federation (NFF) is the main national interest group which could be expected to be active in support of Commonwealth Government policies in the area of farm poverty. The NFF is a relative newcomer to lobbying. However, it has made its presence felt and by 1998 was arguably one of the most effective and best resourced pressure groups operating in the national capital. Kelly reports that, prior to the 1990 rural recession, the NFF ran a

national headquarters in Canberra stronger than either the ALP or Liberal Secretariats, with a \$2.3 million budget and a big policy research staff (Kelly 1994, p257). The NFF has a high opinion of its level of influence, with President Ian Donges telling an international audience that "we are — unofficially — regarded as the most effective lobby group in the country..." (Donges 1998a, p12).

The NFF opened for business in July 1979 and was the result of decades of efforts by farm organisations in Australia to establish "one voice" (Connors 1996) to speak on behalf of farmers to government. Until 1979, farm organisations had been splintered along commodity lines, between States and along socio-economic lines. A key impetus for the establishment of a single body to represent farmers' interests was the creation of the Industries Assistance Commission. In order to present well argued and comprehensive submissions to the IAC, farming organisations required resources and a skilled, professional staff (Connors 1996, p175). Ignoring the opportunities offered by the IAC was not an option. The early NFF staff had a strong economic focus and this was reflected in the organisation's policies. Previous attempts to bring farm organisations together had failed — for example, the Australian Primary Producers Union and the Primary Producers' Council, both established in 1943, and the Australian Farmers Federation which was formed in 1969 (Connors 1996). As well as signalling a break with the divisions that had plagued these earlier attempts at unity, the birth of the NFF marked a sea change in the economic policies pursued by farm representatives. Like the changes in the focus of the DPIE, the new approach to economic policy pursued by the NFF left little room for consideration of appropriate responses to farm poverty.

### Origins

Prior to 1979, there was a plethora of farm organisations in Australia. In some major industries, such as wheat, producers were divided, with more than one group claiming to represent the industry's interests. Often these competing organisations held quite different views on what was best for their members as, by the 1930s, a split had occurred among farmers between the advocates of a free market and those seeking "orderly marketing" (Connors 1996, p18). This distinction was broadly between the wealthy "graziers" and the smaller "farmers", although both groups included woolgrowers and eventually, wheatgrowers. Connors describes the differences between farmers and graziers as follows:

They remained divided for almost 90 years as the original battle over land ownership gave way to bitter contests over marketing farm produce, with farmers demanding government intervention and graziers adhering to the free market. The gulf between the two groups was widened by differences in wealth, property size, education levels and social status. (Connors 1996, p22)

For many years, these divisions proved a major obstacle to amalgamation between the two groups' respective organisations.

Australian writers generally agree that many of the pre-NFF farmers' associations were very narrow in their focus, primarily seeking government programs which were aimed at obtaining income security for their members (Marshall 1985, p23). Writing in 1980 of the pre-NFF farm organisations in NSW, Richmond argued that

Producer groups perceive policy-making largely in terms of asking governments to overcome the unfavourable trading position of the farmer, to gain compensation for his [sic] labours and to maintain an adequate rural living standard. Groups see their major role as presenting proposals that will benefit the rural sector in the short-term; long-range planning tends to be neglected in favour of tangible rewards. (Richmond 1980, p75)

Connors makes a very similar observation:



Most [pre-1979] Australian farm organisations had a narrow outlook and if they at all recognised that issues like interest rates, tariff levels, taxation policy and industrial relations affected farming they failed to demonstrate it adequately to the Government. They gave the impression that their only real aim was to get as much financial support out of the Government as possible. (Connors 1996, p108)

The effectiveness of rural pressure groups was limited by the farmers' distrust of academics, professionals, and "experts" in general. As a result, farm organisations were often regarded as incompetent by the government departments with which they dealt. Richmond describes some of the interactions of the United Farmers and Woolgrowers' Association with the NSW Department of Agriculture as demonstrating "crass stupidity" (Richmond 1980, p87).

When considering the lack of unity of farm groups and the weakness of their voice in public policy prior to 1972, it should be noted that farm issues were effectively promoted by the Country Party which had considerable influence in a series of coalition governments. As will be discussed in a subsequent chapter, the Country Party was very focused on its sectional interests and emphasised its role as the farmers' representative. The leader of the Country Party from 1958 to 1971, John McEwen saw his Party's role quite clearly:

My attitude is that neither the Australian Country Party nor the parliamentary members should decide what is the correct policy for primary industry. It has always been the policy of my party that those who produce, own and sell a product are the best judges of the way in which their property should be treated. It is the function of my party to see that the will of those who produce and own the product is carried into legislative and administrative effect. (quoted in Connors 1996, p64)

Although Connors disputes the accuracy of this statement as a description of how policy was actually developed in the McEwen era, it highlights the image the Country Party wished to project as the farmers' champion (Connors 1996, p64).

### Structure of the NFF

The NFF is a federation of State farming organisations. It has no direct individual farmer members, however according to the NFF, "by joining a State farm organisation, farmers contribute to and support NFF" (National Farmers' Federation 2000). The NFF currently comprises the NSW Farmers' Association (NSWFA), the Northern Territory Cattlemen's Association, the Victorian Farmers' Federation (VFF), the Queensland Farmers' Federation (QFF), Tasmanian Farmers' and Graziers' Association, Agforce Queensland<sup>4</sup>, the South Australian Farmers' Federation (SAFF) and the Pastoralists' and Graziers' Association of WA (National Farmers' Federation 2000). The Western Australian Farmers' Federation has recently suspended its membership of the NFF and its commodity councils for financial reasons (WAFF 2001)

The NFF has eight commodity councils which are responsible for national commodity specific issues and, like the NFF, do not have direct members. The Executive of the Councils are made up of representatives of the State farming organisations. For example, the Executive of the Grains Council of Australia is made up of a grain grower from each of NSWFA, VFF, SAFF and Agforce Queensland. The Tasmanian Farmers' and Graziers' Association is an Associate member of the Grains Council.

As voting rights on the NFF Council are related to financial contributions to the NFF, this structure has resulted in the impression that the organisation's agenda is dominated by the NSW Farmers' Association and the Victorian Farmers' Federation, and within these groups by the grazing industry (Macfarlane 2000, pers comm).

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<sup>4</sup> Agforce Queensland was formed in 1998 by the amalgamation of the Queensland Graingrowers Association, the United Graziers Association and the Cattlemen's Union.

### Economic philosophy

When the NFF came into being in 1979, its newly elected Executive members were predominantly "farmers" and newspaper reports at the time suggested that small farmers would hold the power in the new organisation (Hodgkinson 1979; The Land 1979a). However, although farmers swept into the elected positions, the graziers managed to secure the top secretariat positions for their staff, thereby ensuring their economic interests were protected. As Connors reports,

Leading graziers saw greater benefits in pushing their former staff into senior positions on the NFF and its commodity councils than in demanding leadership posts for themselves. When full time staff serve part-time executives there are opportunities for staff to have considerable influence. (Connors 1996, p214)

This certainly proved to be the case, as the NFF very quickly asserted itself as a leading advocate of free market economics. In 1981, the NFF released a policy paper entitled *Farm Focus: the 1980s*, which Malcolm describes as

The opening salvo of what was to prove to be a more rigorous, professional and comprehensive approach to the analysis and advocacy of policy options than previously had prevailed. (Malcolm 1989, p140)

The paper stated clearly that the NFF would be pursuing a free market philosophy:

NFF does not believe that any industry — rural, mining, manufacturing, or tertiary — whether highly protected or not — should be permanently shielded from the forces of economic change. The overall interests of the economy demand that all industries must participate in the inevitable adjustment process. (National Farmers' Federation 1981, p48)

As Lawrence writes, the National Farmers' Federation had "become one of the most vocal proponents of a deregulated economy and a free enterprise agriculture" (Lawrence 1987, p79). The organisation's position on rural adjustment was also clear from the outset,

*The farm sector has been particularly exposed to structural adjustment because of its predominant export orientation. The aim of rural adjustment programs should be to 'oil the wheels of change', to assist rather than impede market forces. For most farmers,*

*adjustment will cover farm build-up, a new product mix, cost saving measures or new technology; for some it will mean leaving agriculture.* (National Farmers' Federation 1981, p44 — italics in original)

The NFF rejected price and supply controls as mechanisms for stabilising farm incomes, expressing a preference for the normal operation of market forces with measures such as income equalisation deposits to assist individual farmers in managing income instability.

It should be noted that the economic environment facing the new organisation was considerably more complex than that in which its predecessor bodies had operated. In the early 1980s the floating of the Australian dollar and the deregulation of financial markets exposed Australia's export industries to international trade pressures to a degree not previously experienced. The emergence of a strong export-oriented minerals industry also changed the economic landscape so that agriculture was no longer the sole important export sector. In addition, the advent of the Industries Assistance Commission in the 1970s shifted the onus on to industries seeking government assistance to prove their case. This requirement by necessity increased the focus of farmers on the broader economics of their industry rather than just appeals for *ad hoc* responses to individual pressures. Although this required the farm lobby to defend its industry protection arrangements, the NFF could see the advantages of the IAC in its campaign to have manufacturing protection reduced and as such expressed its support for the public inquiry processes of the Commission (National Farmers' Federation 1981, p22).

NFF's Deputy Director in the early 1980s, David Trebeck has been identified by a number of commentators as the intellectual leader at the NFF (Kelly 1994, p45; Connors 1996, p218). Trebeck later became a leading

member of the HR Nicholls Society along with the then NFF President and grazier Ian McLachlan, described by Connors as a "hard line economic rationalist" (Connors 1997, p71). Former Executive Director of the NFF, Rick Farley also suggests that in the early years the officers in the NFF Secretariat "educated" the Executive about the economic issues which were to become their focus (Farley 2000, pers comm). It is therefore not surprising that the NFF's policy direction from the outset was focused on issues of general economic policy with a strong anti-union flavour — as mentioned in Chapter Two this included vocal opposition to the Labor Governments' Accord.

Kelly reports that McLachlan identified the NFF's aims as

the exposure of all Australian industry to market forces; the creation of an internationally competitive economy; a deregulated labour market; equality of all interests before the law; and reward for initiative and incentive for risk-taking. (Kelly 1994, p254)

This included opposition to Australia's unique industrial relations arbitration system, a position which caused the NFF to fall out with other members of the employers' forum, the Confederation of Australian Industry, who were not as enthusiastic about challenging the entire system. In its *White Paper on Economic and Rural Policy* released in May 1986, the NFF argued that

At the heart of many of the problems faced by the Australian economy as a whole, and the rural sector and other exporters in particular, is our centralised and inflexible system of wage determination:- specifically the continuation of indexation based wage increases, and the Government's determination to preserve that system. (National Farmers' Federation 1986, p1)

The Paper went on to recommend that "Australia's centralised and inflexible wage fixing arrangements should be replaced by a system based on common law contracts between employer and employee" (National Farmers' Federation 1986, p18).

Under McLachlan, the NFF quickly established itself as a leading advocate of economic reform, becoming involved in high profile issues such as the 1985 Mudginberri abattoir dispute, during which the NFF provided considerable funding to the abattoir's owner Jay Pendarvis in his civil action against the Australian Workers Union (Kelly 1994, p256). It was during this dispute that the NFF's "Fighting Fund" swelled to over \$10 million (Kelly 1994, p256), including donations from other employer groups who were happy to have the NFF run the anti-union agenda. Coghill sees the NFF's role at Mudginberri as part of the "New Right" agenda, describing their involvement as follows:

The NFF was able to turn a dispute at one of Australia's smallest and most remote abattoirs into a *cause célèbre* which reinforced public perceptions about the power of unions and their costs to the economy, and which, through a string of legal manoeuvres, remained in the public eye for month after month consolidating the image which it created. (Coghill 1987, p131)

Kelly is more sanguine about the NFF's interest in industrial relations suggesting that "[o]nce the farm sector embraced the cause of low protection to assist its competitiveness, it was inevitable that it would also address the industrial system" (Kelly 1994, p255). Farmer opposition to organised labour was by no means a new phenomenon in Australian politics. Connors has observed that, since 1890,

little has united farmers more than a battle against unionists attempting either to stop the supply of produce to market or resisting the introduction of more efficient work practices. (Connors 1997, p69).

As the union movement discovered at Mudginberri in the 1980s and on the waterfront in the 1990s this was a role the NFF took to with gusto.

An example of the NFF's strong economic focus is provided by then Executive Director Andrew Robb's address to the Australian Institute of Political Science in 1986. Asked to speak on the topic "Can farmers cope with free market forces", Robb's response was brief: "Whether or not many

of our farmers cope with free market forces is problematical; what is certain is that they have no alternative" (Robb 1986, p2). The balance of the speech was taken up with criticism of the subsidies provided to farmers by the EC and the US, the level of inflation and interest rates in Australia, Government debt levels, and industrial relations arrangements. In conclusion he reiterated that "[f]armers have no choice but to seek to cope with free market forces. There is no sustainable alternative." (Robb 1986, p12) His speech was silent on the possibility that there might be farmers who would lose out as a result of these forces.

In light of the sharp contrast between this policy approach and the activities of the NFF's predecessor organisations, particularly the "farmer" groups, Marshall observed in the early 1980s that "it is doubtful that the attitudes of the rank and file members of farm organisations have altered markedly and this is a potential weakness of the NFF". She goes on to point out that

Canberra-based lobbyists and researchers may believe in the value of [economic] reforms; the individual producer, at the mercy of seasonal variations and market forces, is far less likely to agree that part of his [sic] financial safety-net should be removed in the hope of long term benefits. (Marshall 1985, p34)

Connors made a similar observation in 1996: "To many farmers, the NFF is seen as an organisation that has raced well ahead of rank and file thinking with its economic rationalist agenda" (Connors 1996, p270).

However, more than twenty years on, the NFF still has one of the highest profiles of any pressure group in Canberra and is not showing any significant sign of back-peddalling on its economic philosophy. It also still appears to be retaining the support of the smaller family farmers for whom these policies may not be so ideal. Farley describes as the organisation's "greatest achievement" the NFF's ability to keep within its ranks both the free-trade exporters and the producers who are more domestically focused

(Farley 2000, pers comm). Gerritsen suggests that this unity has been attained through militancy. He argues:

[The NFF] needs to diffuse tensions between differing commodity interests and between export-oriented and domestic market producers. Militancy is one, risky method of outflanking the internal dissidence. (Gerritsen 1987, p55)

This tactic is not uncommon among interest groups — Dahl notes that group leaders “play down potential cleavages among their own members and exaggerate the salience of conflict with outsiders” (Dahl 1982, p44). The NFF has done this very effectively.

Whatever the explanation, from an organisational perspective farmer unity has been a major achievement. Writing in the mid-1960s, Chislett was sceptical about calls for unity, arguing that

The basic limitation to unity of action by all primary producers, is that relatively small number of specific matters on which interests are really common and deep enough to secure the solid support of the whole over a period of time. (Chislett 1967, p123)

However, large and small farm interests are seen to be represented by the NFF, although it is arguable whether this has translated into true representation of the entire membership. As Lawrence observes,

What the NFF appears to have managed to do is to have fused the sectional pro-capitalist interests of the more wealthy employer farmers with those of the smaller family farmers, those for whom price volatility is of paramount concern but whose larger numbers are required to lend weight to the leadership's aims. (Lawrence 1987, p79)

In essence, particularly in the 1980s and early part of the 1990s, the NFF pursued economic policies which were clearly in the interests of the larger and more successful farmers. At the same time, it managed to convince smaller farmers that it was also acting in their interests, thereby retaining its large membership base. Lawrence suggests that the smaller farmers were being misled. In this context he is particularly critical of the NFF's anti-union agenda, arguing that



Attacks on the union movement are unlikely to put dollars back into the pockets of farmers: what they are likely to do is to help those 'larger-than-family-farmers' employing substantial quantities of labour, and of course, firms in the agribusiness sector... (Lawrence 1987, p87)

A further consideration influencing the level of advocacy on behalf of small farmers during the period under review is that many were not members of farming organisations and therefore were not affiliated with the NFF (Farley 2000). Whereas some farm groups, such as the Queensland Graingrowers Association considered themselves to represent all grain growers, the NFF approach was that it was not their role to pursue policies which would predominantly benefit non-members. It has been suggested that those farmers who were disadvantaged by the structural adjustment process were not seen to be important members of the farming community and therefore were not the focus of NFF attention (Macfarlane 2000, pers comm).

Those industries in which there is a large concentration of small operators such as dried fruits and citrus hold very few votes on the NFF Executive (Farley 2000, pers comm). As a result, the NFF has tended to focus on export-oriented, broadacre agriculture, resulting in an economic agenda which does not always suit industries such as pork, chickenmeat or egg producers (Ramsay 2000, pers comm). On a range of issues, these smaller industries have therefore been left with a choice between working through the NFF in an attempt to amend the organisation's policy approach or set up as a separate body. Resources aside, there would be considerable difficulties in pursuing the latter option as such a grouping would be very quickly painted by its competitors as "protectionist" and therefore "irrelevant" to the economic debate.

It should be noted that the NFF Executive did not adopt its economic policy agenda without considerable discussion. In the early years, there were philosophical arguments about whether the organisation represented the farm sector or individual farmers, and therefore whether its focus should be on macro-economic issues such as increasing competition or whether it should concentrate on improving returns. According to former NFF Executive Director Rick Farley, the organisation's Executive was of the view that the NFF represented the sector as a whole and that the best approach to addressing low income problems in agriculture was to relieve cost pressures (Farley 2000, pers comm). Little consideration was given to alternative strategies should this approach fail. The organisation was dominated by exporters and it was in their interests to open up the economy. As President of the NFF, Ian McLachlan believed that export industries should drive the economic agenda and was therefore happy to see the farmers take the lead in arguing for free trade, deregulation and free rein for market forces. Lawrence describes the NFF's taking a "tough ... line in which agriculture effectively loses its right to subsidization in return for structural change in manufacturing industry and labour markets" (Lawrence 1987, p79). Former NFF Executive member, Ian Macfarlane reports that views which challenged the prevailing economic approach tended to be dismissed as ignorant or ill-informed (Macfarlane 2000, pers comm).

The NFF clearly sees itself as an economic lobby group and for many years was reluctant to become involved in welfare issues — in fact these issues were rarely even discussed. Once the economic policy line was set, subsequent NFF Presidents continued to pursue the direction mapped out by McLachlan, although by the late 1980s the debate within the Executive had moved from the need for reform to the issue of the pace of change (Farley 2000, pers comm). By the early 1990s the NFF was arguing that

protection for agriculture should come down but no faster than for other sectors of the economy. This shift is evident in the changing tone used in NFF publications. In the 1986 White Paper, the NFF stuck to its economic line and recommended an across-the-board approach to economic reform:

- Progressive reduction of high levels of protection to reduce both overall rates of assistance and the disparities in assistance between industries;
- Introduction of a program of gradual, across-the-board reductions in protection;
- The progressive replacement of tariffs and import quotas by direct subsidies or bounties to share the burden of assistance across the whole community and make the cost of assistance more visible and accountable. (National Farmers' Federation 1986, pp 21-22)

Six years later, in its 1992 Annual Report, the first item listed on the NFF's work program for that year was "[o]pposition to further reductions in assistance to agriculture until assistance to all industries is reduced on a "tops down" basis to similar levels" (National Farmers' Federation 1992, p6). This is not consistent with "across-the-board" reductions in protection and arguably signals a retreat from the 1986 position.

Writing in the late 1980s, Malcolm suggested that the farmers' position was one of "selective economic rationalism" (Malcolm 1989, p149), pointing to the fact that "farm organisations staunchly defended the extensive regulation which exists in the wheat, dairy, sugar, dried fruit and egg industries" (Malcolm 1989, p151) However, over the course of the 1990s the majority of these industries saw their regulatory regimes dismantled, often with the active involvement of the NFF and/or its commodity councils. The organisation's rhetoric suggested that there was nothing selective about their position:

The NFF is not seeking subsidies, compensation packages or short term palliatives as solutions to the current problems faced by the rural sector. Such policies will do little if anything to address the real issues. (National Farmers' Federation 1986, p1)

Overall, the organisation has been strikingly consistent in its policy positions. Its relative silence on farm poverty during the drought of the 1990s when the issue was getting nightly television news coverage attests to the NFF's ability to hold the line. However, the Federation's 1994 Annual Report includes a reference to the drought in its "Year in Review" summary and it does so in emotive terms. Describing the FarmHand appeal, the NFF reports that "[t]he plight of families unable to put food on the table or to afford their children's education touched the hearts of ordinary Australians, schools and many businesses" (National Farmers' Federation 1994a, p3). However, the NFF's policy position on drought remained focused on self-reliance, risk management and competitiveness, with no reference to income support:

NFF advocated a strategy for drought management and recovery which encompassed three main components: repayment of debt; rebuilding productivity/protection of the resource base of agriculture; and establishment of appropriate financial and physical reserves. NFF argued that the Commonwealth's response to drought should provide support to farmers in all three areas to assist in drought recovery and foster greater drought preparedness and self-reliance. (National Farmers' Federation 1994a, p18)

With respect to the Government's two substantial drought response packages in 1994, the NFF referred obliquely to the Drought Relief Payment in its 1994 Annual Report by mentioning the changes to assets tests arrangements (National Farmers' Federation 1994a, p7), however the DRP was not mentioned by name in either the 1994 or 1995 Reports. In addition, while the NFF claimed credit for lobbying in support of the second (December 1994) package which contained longer term measures for drought preparation, it did not mention the welfare-focused DRP package which was announced in September 1994, even though this package involved the substantial sum of nearly a quarter of a billion dollars in Commonwealth expenditure.

The pro-market position taken by the NFF did not leave much room for it to pick up social issues, although it is worth noting that the NSW Farmers Association has raised its profile on these issues in the last couple of years in response to pressure from members (Wilkes-Bowes 1999, pers comm). In 1996 Dr Wendy Craik was appointed as the NFF's Executive Director, replacing Rick Farley who had resigned in 1995. Craik made it clear early on that social issues and adjustment were important (Macfarlane 2000, pers comm) and she demonstrated her interest in health and access to services issues. The NFF has also appointed a Director of Rural Affairs and in recent years has become more vocal on both physical and social infrastructure issues, such as improving telecommunications to rural Australia and the number of rural doctors. The NFF was represented on the Special Rural Task Force which looked at the impact of assets testing on farm families and has made submissions to various government inquiries such as the McColl review of the Rural Adjustment Scheme and, more recently the review of the Farm Family Restart Scheme. Wendy Craik left the NFF in November 2000 and has been replaced by Anna Cronin, former adviser to Opposition leader John Hewson in the early 1990s and Chief of Staff to Victorian Premier Jeff Kennett until his defeat in 1998. Given her strong economic policy background, it will be interesting to see whether Ms Cronin continues Dr Craik's work on social issues.

It is also worth noting that the composition of the NFF's membership has shifted away from the dominance by the large, successful market-oriented farmers of the mid-1980s and early 1990s. This group has been moving out of farm organisations and as a result the NFF's membership comprises a higher proportion of the small to middle-sized operations (Craik 2000, pers comm; Hooke 2000, pers comm) whose economic interests are not

necessarily best served by a strict free market, deregulatory approach. After Craik was appointed, the NFF Executive increased its interest in social issues such as access to services in rural areas and there was some discussion of the need for a welfare safety net equivalent to that available to the broader community. However, there was little discussion of farm poverty or the appropriate response to the needs of the "losers" from the structural adjustment process (Craik 2000, pers comm).

The NFF's silence on farm poverty has gone largely unremarked in the literature on the association's activities. Not surprisingly, Trebeck's analysis of the group's work praises its market-focused economic policy direction: "[t]he reputation, which the NFF has deservedly won could as easily be lost if its future activities were to stray from the policy directions of the past" (Trebeck 1990, p142). Halpin and Martin's studies of farmer associations, while more critical of the NFF's policies, also do not address the issue of the NFF's position on farm poverty (Halpin and Martin 1996; Halpin 1997; Halpin and Martin 1999).

#### NFF Priorities

In the period between 1989 and 1998, the NFF ran with a series of "big issues" which dominated its agenda, and left little room for welfare issues. Former NFF Executive member Ian Macfarlane suggests that this lack of interest extended to the whole issue of farm adjustment policy (Macfarlane 2000, pers comm). In the late 1980s and early 1990s, the organisation was an active supporter of the Cairns Group during the Uruguay Round of Multilateral Trade Negotiations. In the early 1990s, the NFF was also involved in the environment agenda with the establishment of the Landcare program and on Aboriginal issues in response to the High Court's *Mabo*<sup>5</sup> decision. In the lead up to the 1993 election, the organisation promoted the

<sup>5</sup> *Mabo and others v. Queensland* (no. 2) (1992) 175 CLR 1 F.C. 92/014

merits of a Goods and Service Tax, a position which strained its relations with the Labor government and tested the organisation's claim to be apolitical. Farm poverty was not a priority issue and as noted, even during the drought, the NFF's involvement was fairly subdued with respect to the income support side of the debate — although then NFF President Donald McGauchie was on the Board of the Trust which managed the Farm Hand Appeal in 1994.

As noted, from 1996, after Wendy Craik was appointed to the position of Executive Director, the NFF increased its involvement on the question of service provision in rural areas. However, the agenda continued to be dominated by a series of high profile issues. In 1996 the NFF ran a campaign on native title in response to the High Court's *Wik* decision. In 1998, the NFF was happy to test the provisions of the new Coalition Government's *Workplace Relations Act 1996*. The legislation contained many of the reforms that the organisation had been advocating and the conflict between Patrick Stevedoring and the Maritime Union of Australia provided a high profile industrial dispute through which the NFF could pursue its economic agenda, as Mudginberri had done over a decade before.

#### Relationship with political parties

Unlike its predecessor organisations, which had close ties with the then Country Party, the NFF's constitution precludes it from supporting any political party with either cash or services (Connors 1997). The new organisation's political independence was evident from the outset when it criticised the Fraser Government's 1979 budget through a media release on budget night (Connors 1996, p265). However the release received little coverage in the print media, with small items focusing on the farmers' disappointment that the farm sector had not done very well out of the

Budget, and nothing to suggest that the NFF was looking much further in its criticisms than its sectional interests (Australian Financial Review 1979; The Land 1979b). The organisation later prepared submissions on tariff policies in 1981 and in response to the Campbell report on the financial system, both of which contained views contrary to those of the National Party (Marshall 1985, p33). Connors reports that

The former National Party leader, Doug Anthony, was not impressed by either the NFF staff or the economic direction it had taken. The organisation, he believed, was being led by its economists too far down the path of free trade and economic deregulation. (Connors 1996, p219)

In the mid-80s the relationship between the NFF and the National Party was further strained by a speech to the Party's Federal Council by McLachlan. Kelly reports part of McLachlan's address as follows:

Your credibility has been diminished because your policy research has been inadequate. You have not provided new directions but have relied on the same, tired rhetoric we have all heard a thousand times before. (quoted in Kelly 1994, p254)

McLachlan's public profile was an asset to the NFF and such was his popularity among farmers that the NFF constitution was amended to allow him to serve a fourth year as President (Connors 1996, p230). McLachlan's strong position did not endear him to the Labor Government which was described as being in a state of "simmering feud" with the NFF (Hutcheon 1986). The NFF's relations with Hawke and Keating reached a low point in December 1986 when the NFF President was unceremoniously dismissed from the Prime Minister's Office after breaking protocol and briefing journalists prior to the meeting. McLachlan claimed that he had been "set up" by the Government and was quoted as saying "I could hardly imagine relations with the Government could be much worse" (Hadler 1986).

The relationship with Labor was also strained in the lead up to the 1987 and 1993 elections when, in spite of the organisation's apolitical charter,



the NFF campaigned actively. In 1986, the NFF Council decided that it would endorse particular candidates in the forthcoming election, however, this position was reversed in May 1987 and the organisation instead used the campaign to raise particular policy issues (Gruen and Grattan 1993, p63). In the 1993 case, the NFF attempted to portray its support for the goods and services tax as the promotion of a position long held by the organisation — the fact that it was the centrepiece of the Opposition's "Fightback" package was purely coincidental. Farley claims that the NFF redeemed itself in the eyes of the re-elected Labor government through its constructive approach to the development of policy in response to the High Court's *Mabo* decision (Farley 2000, pers comm).

With the NFF focused on macro-economic issues, representation of the needs of poor farmers was largely left to others. The NFF's submissions to the key Senate inquiries over the period reflected the low priority given to farm poverty. The organisation's submission to the inquiry into rural adjustment, rural debt and rural reconstruction contained no reference to poverty or income support beyond a recommendation that

Financial items relating to living costs, future capital requirements and repayment of debt, normally excluded from a calculation of business profit, be deleted from the criteria for provision of [RAS] assistance. (National Farmers' Federation 1994b, p4)

As has been noted previously, one of the major obstacles to farmers' gaining access to social security support is the assets test. The NFF's submission to the Senate Inquiry into the impact of assets testing on farm families was brief, consisting of two letters, one of two pages and one of just over three (Senate Rural and Regional Affairs and Transport References Committee 1995a).

The NFF's constituent bodies spoke out on behalf of their membership from time to time. Senate inquiries, for example, provided opportunities for groups such as the Queensland Graingrowers Association to put their views on appropriate government responses to hardship (Senate Standing Committee on Rural and Regional Affairs 1992). Smaller commodity councils, such as the Pork Council of Australia, do not have the resources to consider welfare issues and tend to rely on other organisations to pursue them (Ramsay 2000, pers comm).

#### *The Commodity Councils*

The NFF's commodity councils are more focused on individual producers than the umbrella organisation. In an echo of earlier farm bodies, the Grains Council of Australia states, for example, that its "overriding objective" is "to maximise net returns to growers" (Grains Council of Australia 2000). Like the NFF, the Commodity Councils do not have individual grower members, they are comprised of delegates from the relevant sections or committees of the State farming organisations.

During the drought the policy positions of the commodity councils were largely consistent with the NFF approach. In evidence to the Senate inquiry into rural adjustment, rural debt and rural reconstruction in 1994, then Executive Director of the Grains Council, Mitch Hooke stated that:

The Grains Council's position on rural development and the structural adjustment is that the primary onus of responsibility for managing extremes of climatic variability and commodity price volatility rests with the individual grower. (Senate Rural and Regional Affairs and Transport References Committee 1994a, p3229)

#### *NFF Affiliates*

The NFF affiliates are more directly representative of their members. Organisations such as the Pork Council are made up of individual producer members as well as state organisations. Many of these affiliates represent domestically focused industries such as chickenmeat, pigmeat and eggs. In

recent years these industries have been very vulnerable to changing regulatory regimes and reduced quarantine barriers, thereby placing the issue of structural adjustment at the forefront of their organisation's concerns. As a result, organisations such as the Pork Council have been very active in lobbying government for support for members adversely affected, in this case, by greatly increased competition from imports as a result of changed quarantine rules. The Pork Council received little sympathy from the NFF and was left to run its own campaign in 1998 and 1999 to obtain a structural adjustment package for its members (Ramsay 2000, pers comm). During the 1998 election campaign the Pork Council ran a marginal seats campaign to draw attention to the plight of the industry, in the process alienating members of the Government (Macfarlane 2000, pers comm). However, as noted above, the Pork Council lacks the resources to pursue broader welfare issues such as farm poverty.<sup>6</sup>

#### *The State Farming Organisations*

The State farming organisations, while members of the NFF, do not always toe its policy line, nor do they restrict their focus to dealing with state governments. These organisations are much closer to their grassroots membership and accordingly become very involved in the major issues of direct concern to their members. The following provides examples of the activities of some of the state farming organisations.

#### Queensland Graingrowers Association (QGGA)

The Queensland Graingrowers Association was active on structural adjustment issues and drought relief in the early 1990s, with little support for its activities from the NFF (Macfarlane 2000, pers comm). QGGA President during the drought, Ian Macfarlane, was in regular contact with

<sup>6</sup> In March 2000, members of the Pork Council voted to form a new industry body comprising the PCA, the Pig Research and Development Corporation and The Australian Pork Corporation. The new organisation, Australian Pork Limited, responsible for "the delivery of policy, R&D and marketing services to Australia's pork industry", commenced operations on 1 January 2001. (Pork Council of Australia 2000)

the Office of the Commonwealth Minister for Primary Industries and Energy and also worked closely with the DPIE. The visit to Queensland by Prime Minister Keating in September 1994 was organised by the Prime Minister's Office in consultation with the QGGA. The NFF's involvement and the inclusion of NFF President McGauchie in the official party was the result of last minute pressure from NFF Executive Director Rick Farley. According to Macfarlane, Farley also intervened to prevent him from attending the Prime Minister's Parliament House press conference at which the September 1994 drought package was announced (Macfarlane 2000, pers comm).

The QGGA's submissions to various Senate inquiries were generally more sympathetic to the plight of farmers in hardship than the NFF (Senate Standing Committee on Rural and Regional Affairs 1992, p18). In Queensland, in addition to the QGGA, the United Graziers' Association and the Cattlemen's Union were also involved to varying degrees in lobbying State and Commonwealth governments for support for farmers in financial difficulty.

#### NSW Farmers' Association

The NSW Farmers' Association is the largest and best resourced of the State farming organisations and along with its Victorian counterpart is seen by many to dominate the NFF (Macfarlane 2000, pers comm). The Association was involved in some lobbying on welfare issues during the drought and a number of delegations from branches of the Association were received by the Commonwealth Minister. The NSWFA's submission to the Senate Inquiry into rural adjustment, rural debt and rural reconstruction did not include any reference to low incomes however, in oral evidence, the Association's Terry Ryan observed that "the rural adjustment scheme in terms of welfare provisions does not work" (Senate Rural and Regional Affairs and Transport References Committee 1994a,

p2435). The Association also appeared to recognise implicitly that the structural adjustment process was not without cost, suggesting that there was a need "to reduce the scope for unnecessary adjustment pressures" (NSWFA 1994, p1).

#### Victorian Farmers' Federation

The VFF was not as active on farm welfare issues as its counterpart organisations in Queensland and NSW as it was the latter two States which were hit badly by the drought of the early 1990s. However, in its written submissions the organisation was more explicit in seeking some form of income support measure for poor farmers. In its submission to the Senate inquiry into rural adjustment, rural debt and rural reconstruction, the VFF recommended that

Amendments should be made to ensure that low income farm families are not excluded from social security benefits by inappropriate assets tests. (Victorian Farmers' Federation 1994, p6)

The paper went on to argue that

The lack of assistance for those farm families in need is appalling. There needs to be access to some income support for those struggling to stay on their farm. (Victorian Farmers' Federation 1994, p9)

In evidence to the inquiry, the VFF's Geoff Crick stated that

...we need assistance in times of adversity, as a short term measure, and we need adjustment for people who are not going to make the grade, or for others to improve so they can make the grade. We think there are two clear elements there: assistance and adjustment. (Senate Rural and Regional Affairs and Transport References Committee 1994a, p468)

#### *Farm Groups as Watchdogs*

In spite of the efforts of the state organisations during the drought, farm interest groups were not involved in any systematic lobbying on behalf of poor farmers between 1989 and 1998 and as such were not particularly effective as watchdogs. As has been explained, there was a plethora of reviews and policy revisions throughout the 1990s. Various groups made

submissions when the opportunity arose, however, few focused on the income support needs of poor farmers. The economic philosophy of the NFF focused its attention on broader economic issues and its support for structural adjustment in agriculture precluded it from an active role on behalf of farmers in poverty.

### **Welfare Groups**

*Australian Council Of Social Service*

In the absence of effective watchdogs among farm organisations, who else is lobbying government on behalf of farmers in poverty? The other obvious source of support is the welfare lobby, however, during the period under review it did not show a great deal of interest in farm poverty policy.

The peak welfare organisation in Australia is the Australian Council of Social Service (ACOSS). The Council was established in 1956 and now comprises 77 full member organisations and 441 associate members (ACOSS 1998, p6). ACOSS describes its work as falling into eight policy portfolios:

- economic development and tax;
- social security and low incomes;
- employment, education and training;
- community services;
- health;
- housing and urban development;
- law and justice; and
- rural and regional communities. (ACOSS 1998, p7)

This final policy area appears to be limited to non-farm issues as ACOSS has not been involved with farmers and, when contacted by the author, suggested that the NFF was the appropriate organisation to speak with on

farm poverty (ACOSS 2000, pers comm). The section on Rural and Regional Communities in the 1997-98 ACOSS Annual Report is focused on service delivery, infrastructure development, health and employment. There is no specific reference to farmers (ACOSS 1998, p16).

For ACOSS, farmers in poverty have not been a priority due to the organisation's limited contact with farm families, the low numbers of poor farmers relative to other groups of concern to ACOSS and the difficulty of identifying genuine poverty, given the nature of farm businesses (Moore 1999, pers comm). The asset status of many farmers also distinguishes this group from the very poor who are ACOSS's main client group — arguably the situation confronting many farmers is a matter of choice where a farmer is unprepared to sell the farm and move into alternative activities. The typical ACOSS client does not have this option. Finally, it should be noted that ACOSS shared the concern of the Department of Social Security that welfare support should not underwrite unprofitable businesses (Kingma 2000, pers comm).

During the drought, member organisations of ACOSS were active on a regional basis, providing services to farm families in need. Some groups such as Lifeline became involved in actively lobbying the Commonwealth Minister for assistance in their regions. The national body, however, is largely autonomous from its members and Marsh suggests that it does not become involved in individual or regional issues "but rather targets the national debates (employment, housing, education, industry policy and microeconomic reform)" (Marsh 1995, p65). Between 1991 and 1994 as the drought became established across large areas of Eastern Australia, ACOSS printed only one article on farmers in its monthly magazine *Impact* as part of a feature on "Rural Australia" (Lawrence and Share 1993). The

other two articles in the feature related to young people in rural communities and the impact of retrenchments on rural communities.

An example of activity by ACOSS members is provided by the Society of St Vincent de Paul which provides assistance to farmers in difficulty, and in the late 1990s, produced a report entitled "In defence of the Bush", which included references to rural poverty and the drought. The report made a number of recommendations, including in relation to the assets test for farmers seeking the age pension and access to Austudy. However there was no reference to low farm incomes or structural adjustment pressures in the sector (Society of St Vincent de Paul undated).

*New South Wales Council of Social Service (NCOSS)*

NCOSS, a constituent organisation of ACOSS, established a rural policy advisory committee following the *rural communities: looking ahead* Conference which it jointly hosted with the NSW Cabinet Office in June 1995. Then ACOSS President Robert Fitzgerald addressed the Conference on the topic of "Sustainable development and rural structural adjustment", however, his focus was on infrastructure and regional development (Fitzgerald 1995). Although it was held during the drought, the Conference was largely focused on non-farm issues such as delivery of services such as health and telecommunications and building strong communities. There was little discussion of the welfare needs of poor farmers.

As has been mentioned earlier, the fact that the Department of Primary Industries and Energy did not deal with welfare pressure groups on a regular basis limited the ability of officials to initiate contact with them during the policy development process. Similarly welfare pressure groups rarely contacted policy officers within DPIE to discuss their concerns. Some



contact was made through DPIE's involvement on the Special Rural Task Force on assets testing and in the Department's participation on a poverty task force put together by the NSW government. Briefings with Ministers provided some useful anecdotal information about the impact of the drought on farm families, however, there were no systematic attempts by welfare organisations to become involved in the policy process on an ongoing basis.

### **Minor Players**

As suggested at the start of this chapter, other smaller interest groups have been active on the issue of farm poverty from time to time. During the period under review organisations such as the Country Women's Association (CWA), the Australian Women in Agriculture, local drought aid committees, community organisations and the churches made occasional submissions and appeared before Senate inquiries and met with the Commonwealth Minister for Primary Industries and Energy. However, their capacity to be involved in or influence the policy development process was limited and their involvement was sporadic. Although Departmental Officers recall their interest during the drought their activities were not of sufficient priority to warrant reporting in their own newsletters. For example the National Anglican Caring Organisations Network newsletter ACORN contains no reference to the drought in 1993, 1994 or 1995 (National Anglican Caring Organisations Network 1993-1995). Although Queensland was particularly hard hit by the drought, the Queensland CWA Annual Reports for that period give no indication that the organisation had undertaken any lobbying or made any contact with government (Queensland Country Women's Association 1993-95).

Where submissions were made, they appear to have had little impact on the outcome of government policy deliberations. For example, the Australian Conference of Leaders of Religious Institutes made a submission to the Senate inquiry into rural adjustment, rural debt and rural reconstruction. The submission focused on

- the role of the banks in relation to the rural crisis and the rural debt;
- the need for independent negotiation between banks and farmers in crisis; and the need to widen the criteria for eligibility for the rural adjustment scheme. (Australian Conference of Leaders of Religious Institutes 1994, p2605).

In evidence to the inquiry, Sister St Jude Doyle thanked the Committee for the opportunity "to speak on behalf of traumatised rural people" (Australian Conference of Leaders of Religious Institutes 1994, p2603) and provided the Committee with first hand anecdotal material about the levels of poverty and hardship being experienced by farmers. Although the Committee appeared to listen with interest and sympathy to the representatives of the Australian Conference of Leaders of Religious Institutes, very few if any of the Sisters' concerns were reflected in the final report of the inquiry.

The Minister for Primary Industries and Energy received a number of regionally-based delegations during the drought, often concerning eligibility criteria for exceptional circumstances declarations. This was particularly the case after September 1994 when such declarations provided access to the Drought Relief Payment. In November 1994 alone, the Minister met with delegations from Wellington, Mudgee and the Hunter Region of New South Wales<sup>7</sup>. These groups provided anecdotal information but were insufficiently organised or resourced to have any real impact on the policy development process.

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<sup>7</sup> The writer was present at these meetings.

## Conclusion

Australia's farmers have been very effectively represented in debates over economic policy and the NFF has been one of the most vocal proponents of economic reform. However, as an organisation which focuses on promoting the interests of the farm sector rather than individual farmers, the NFF was not active during the period under review in contributing to policy development in the area of farm poverty. Some of the NFF's constituent organisations have had a higher profile on welfare issues, notably NSW and Queensland-based bodies during the drought. Between 1989 and 1998, welfare organisations were involved in delivering services to farm families in need, however, they did not promote the interests of this group in a policy sense beyond the occasional delegations to see the Minister by small regionally-based service providers. Although these smaller groups were very concerned about farm poverty, they were not sufficiently integrated into the policy making process to have any great influence over the direction of policy development.

In the period between 1989 and 1998, the interests of Australian farmers in poverty were not well represented either by the bureaucracy or by the major interest groups that operate in Australia's policy community. The next chapter examines whether farmers' political representatives have been any more effective at responding to the needs of this group.

## CHAPTER SEVEN: POLITICAL PARTIES

Between 1989 and 1998 poor farmers were not well served by either the major interest groups or the bureaucracy as watchdogs for their interests within the policy process. A further possible source of representation within Australian government is through the established and new political parties.

For many years, farmers benefited from the political process which delivered a range of support programs to agriculture. The 1974 Green Paper describes "[c]ertain characteristics of the farming industries [which] give rise to greater government involvement than in other sectors of the economy". These were:

- the "small scale competitive structure of farming";
- price and production instability and "susceptibility to occasional, severe losses"; and
- the greater difficulty faced by farmers in adjusting to changing economic circumstances. (Harris et al. 1974, p24).

Policy responses consisted of "measures for price support and stabilization, and policies designed to affect the economic structure of farming and the welfare of farmers" (Watson 1979, p159). Until the early 1970s, farmers' interests were very effectively served by (predominantly Coalition) Governments pursuing this interventionist line towards agriculture in which supporting farm incomes held a high priority. Farmers regarded the Whitlam Labor government, elected in 1972, as hostile to their interests, although a number of policy decisions, such as the 25 per cent reduction in tariffs, were welcomed by some farm groups.

Following both the 1975 and 1977 elections, the Liberal Party had the numbers to govern in its own right and although the Coalition was retained, there is debate over the influence of the National Country Party within the

Fraser Government. Prime Minister Malcolm Fraser was a grazier and seen as largely sympathetic to farmers. Between 1983 and 1996 the farming community found itself again dealing with a Labor government and this was achieved most effectively through the National Farmers' Federation. The 1996 election delivered the Liberals sufficient seats to govern in their own right consequently limiting the National Party's influence in government. It was not until the 1998 election and the shift of around one million votes to Pauline Hanson's One Nation Party that the concerns of rural Australia once again returned to prominence.

One of the striking features of Australian rural politics is the apparent disjuncture between the voting patterns of farmers and the agricultural policy approaches taken by the various political parties. The sectionally based National Party has retained a high level of support while the Labor Party has been largely rejected by rural voters — even though the policy positions of these two parties are not vastly different. Malcolm argues that

the differences in agricultural policies between the Liberal and Labor parties at the federal level are strikingly slight, compared with the overwhelming difference in allegiance accorded by farmers to these alternative governments. (Malcolm 1989, p132)

More recently, Cockfield has noted that "[d]espite what the parties would claim, recent rural policy is characterised more by conformity than change associated with a change of government" (Cockfield 1997, p158). Nevertheless, farmers' voting patterns have impacted on the ability, and inclination, of the various parties to act as watchdogs for poor farmers. In addition, as economic liberalism has come to dominate policy making in the major parties, scope for adopting innovative approaches which address the needs of farmers in poverty has been reduced.

## The National Party

### *History*

The National Party of Australia first entered Australian politics in the early 1920s as the Country Party of Australia. Set up as a voice for rural Australians, the Party grew out of farm interest groups which had been established from the mid-nineteenth century. Richmond argues that

Many country people objected to the Labor Party and its talk of socialisation of land; but they also objected to the city domination of the larger non-Labor parties. (Richmond 1978, p104)

The early Country Party therefore set out to establish itself as a third force in Australian politics. This position is clearly illustrated by the words of the first Country Party leader in the Commonwealth Parliament, W J McWilliams on 10 March 1920:

The Country Party is an independent body quite separate from the Nationalists and the Labor Party. We occupy our own rooms. We have appointed our own leader and other officers. We take no part in the deliberations of the Ministerialists or of the Opposition. We intend to support measures of which we approve and hold ourselves absolutely free to criticize or reject proposals with which we do not agree. Having put our hands to the wheel we set the course of our voyage. There has been no collusion; we crave no alliance; we spurn no support; we have no desire to harass the government, nor do we wish to humiliate the opposition. (quoted in Ellis 1963, p53)

From the outset, the other non-Labor Party at the time, the Nationalists, were keen to enter some sort of Coalition arrangement with the Country Party. In 1923 the Bruce-Page Government was formed, but only after the Country Party leader Earle Page had made it clear that he could not work with Prime Minister Hughes, prompting Hughes to step aside in favour of Bruce (Ellis 1963, p97). The early coalitions were a long way from more recent agreements between the National Party and the Liberals, a relationship which has been described as "not a mere coalition but coalescence" (Sartori 1976, p188). The National Party was prepared to use its position to take on the Liberals when a matter of importance to their

constituency was seen to be at stake. Significant disputes arose during the 1960s and 1970s over the distribution of electoral boundaries, the entry of the United Kingdom into the Common Market, the Report of the Committee of Economic Enquiry (the Vernon Report), Country Party leader McEwen's refusal to accept McMahon as Prime Minister following the death of Harold Holt, the revaluation of the Australian dollar and, in Opposition, over who was to be Deputy Opposition leader (Richmond 1978; Costar 1995). Once involved in coalition governments at the Commonwealth level, the Country Party was very effective at exercising policy power quite disproportionate to its level of representation (Whitwell 1995). The Country Party, later the National Country Party and then the National Party, has secured the key portfolios for agriculture whenever the coalition has been in government, notably Primary Industries and Trade. During the Menzies years, the Country Party Leader John McEwen was a particularly powerful member of Cabinet. Costar reports that

Many contemporaries lamented that Menzies was too indulgent towards the Country Party in general and towards McEwen in particular. Especially on economic matters, in which Menzies was not strong, Liberals complained that he allowed McEwen too free a hand. (Costar 1995, p107)

However, the Country Party and its successors have continued to differentiate the Party from the Liberals, ensuring the Party is seen as "part of government, but is not identified as government" (Jaensch 1997, p299). After its initial reluctance to be tied to another political party, the National Party has capitalised on the fact that the Liberal Party and its predecessors have so often relied on National Party numbers to form government. As Richmond argues

The Country Party has enjoyed political strength far out of proportion to the independent strength of either its support in the electorate or its representation in parliament. By maintaining a coalition with the Liberal Party, the Country Party has been able to assure a grip upon senior government positions and have a deciding vote in policy considerations seen to be in its vital interest. (Richmond 1978, p108)

In its first half century of operations, the National Party was influential in achieving programs for farmers which included a solid component of income support. Drought support, rural reconstruction policies, non-means tested social security and powerful voices in Coalition Cabinets ensured that farmers in financial difficulty were likely to receive some form of government support. Until the Coalition lost Government in 1972, the Party was "unashamedly interventionist" (Jupp 1968, p171) in areas of importance to farmers. Jupp describes its beliefs as "subsidies, guaranteed prices, producer-controlled marketing schemes, soldier settlement and the maintenance of uneconomic railways" adding that these policies were all "contrary to the inclinations of the tax-paying business community which supports the other non-Labor party" (Jupp 1968, p171).

As noted, on returning to government in 1975, the National Party found itself in the position where the Liberals were able to govern in their own right without National Party support. There is some disagreement as to whether this greatly reduced National Party power within the Coalition. West argues that National Party power waned during this period, as farmers seeking to further their interests often dealt through their farm organisations directly with Fraser and other senior Liberal Party ministers:

Given the structure of power within the Fraser ministries, and the policy making role of rural producer groups, the real political muscle could never lie with the minority National Country Party, however 'specialist' it might claim to be in promoting rural interests. (West 1980, p342).

However, Shamsullah argues strongly that Fraser's empathy with farmers strengthened the National Party's position:

Despite its junior status and the fact that its parliamentary support was not even needed by the Liberals between 1976 and 1980 the NCP [National Country Party] appeared exceptionally influential during the Fraser years. The personal compatibility of the senior National Party men, Doug Anthony, Ian Sinclair and Peter Nixon, with the pastoralist, Liberal prime minister and his reliance on their



advice, were important factors in the National Party's power to curtail cutbacks aimed at the rural sector. (Shamsullah 1994, p26)

Marshall acknowledges this argument but suggests that Fraser's position also made the Liberal Party more attractive to rural interests, "a change backed by the efforts of Liberal members of the backbench Rural Committee, who worked hard to cultivate farm groups and who had by 1978 formed close links with them" (Marshall 1985, p32).

From 1983 to 1996, the National Party was in the historically unfamiliar position of being in Opposition and its ability to influence rural policy was nonexistent. National Party members made speeches in Parliament and participated in Committees of Inquiry into rural issues, however, the main avenue for farmers attempting to influence government policy was through the NFF.

In 1996 the Coalition was returned to power, however, like 1975 and 1977, the Liberal Party had the numbers in the House of Representatives to govern in its own right. Nevertheless, National Party Ministers were appointed to the key "rural" portfolios of Primary Industries and Energy and Trade. If the farming community was anticipating a return to the policy approaches of the Country Party of the 1970s, it would have been disappointed. Jaensch suggests that the National Party was uncomfortable with the type of free market policies pursued by the Hawke and Keating Labor Governments and advocated by the Liberal Party. He writes

Deregulation, privatisation, competition, and an emphasis on the market — the kernels of the policies of both major parties today — are the antithesis of traditional National Party policies. (Jaensch 1997, p310)

However, the National Party generally adopted the policy line put forward by the Howard Government (Costar 1997) except for occasional criticisms

from outspoken National Party backbenchers such as Ron Boswell, Bob Katter and De-Anne Kelly.

It was a National Party Minister, John Anderson who made it clear to industry that he wished to see the end of interest rate subsidies through the Rural Adjustment Scheme (Macfarlane 2000, pers comm) and who terminated the Scheme which had run in various forms for over sixty years. On farm income support, the highly criticised Farm Household Support Scheme was replaced by Anderson with the Farm Family Restart Scheme, a program which in all its essential features was little different from those which had been run since 1989 and, in spite of the Minister's protestations to the contrary, remained a loan scheme. National Party control of the Primary Industries and Energy portfolio did not see any relaxation of eligibility criteria for the exceptional circumstances program and farm organisations remained of the view that the scheme was impossible to access (Craik 2000, pers comm). Rural and regional Australia gained increased attention from the government towards the end of the period under review and considerable sums of money were allocated through the Natural Heritage Trust, funded from the sale of a third of Telstra.

As discussed in an earlier chapter, the change of Government in 1996 did not bring any notable changes to structural adjustment or farm welfare policy. The new schemes which were announced as part of the *Agriculture – Advancing Australia* package in 1997 were only incrementally different from their predecessors and remained based on the same economic philosophy. They continued to avoid addressing the key issues which were denying farmers access to a social welfare safety net.

### *Policies*

National Party policies are not easy to identify beyond the general intention that they operate in the interests of rural Australia. Mauldon and Schapper wrote in the early 1970s that "[t]raditionally the Country Party has not independently formulated and pursued its own national policy" (Mauldon and Schapper 1974, p91). This trend appears to have continued. The National Party's current (2000) party platform is not distinct from the Coalition platform.

Woodward has argued that "[c]ategorising National Party policy is not an easy task since it is a strange blend of conservatism with support for radical government intervention in certain economic and social areas" (Woodward 1985a, p61). Although it is generally agreed that the National Party has greatly influenced government policy direction in favour of rural people (Mauldon and Schapper 1974, p93; Richmond 1978, p108; Costar and Woodward 1985, p1; Woodward 1985a, p63; Sharman 1994, p147), it has done so "with piecemeal adjustment to society in favour of its supporting interests" (Jupp 1968, p162) rather than with a cohesive policy agenda. Costar suggests that the problem is one of identity:

The [National] Party has ... been unsure of its social and ideological base: is it a farmers' party, a rural party, a regional party, a conservative party or, in the ... words of .. Tim Fischer, a progressive conservative party. (Costar 1994, p130)

Jaensch has summarised National Party policy as follows:

The party is totally committed to free enterprise, but is wholeheartedly in favour of government intervention in the affairs of rural, and in recent years, resource areas. It seems, then, quite ready and happy to combine free enterprise with rural socialism. (Jaensch 1997, p298)

### *The National Party's Struggle to Survive*

The National Party's demise has been the subject of ongoing discussion over the years (Aitkin 1973, p424; Richmond 1978, p132; Malcolm 1989,

p134; Jaensch 1997, p293). The Party has recognised that demographic and economic trends have eroded its support base and in the mid-1970s attempted to broaden its appeal to attract urban voters. This venture, which Costar describes as "an unmitigated disaster" for the Party, was rejected by Tim Fischer when he became leader in 1990 (Costar 1994, p134).

The Nationals have continued to deliver to the Coalition an important bloc of the rural vote. As noted above, the Nationals have been in Coalition with the Liberal Party and its predecessors almost since the Country Party was founded, with a few brief separations (such as during the "Joh for Canberra" campaign in 1987). This arrangement has endured in spite of distinct differences between the two parties. Jaensch argues that

The Liberal and National parties, in fact, have very little in common. First the Liberal Party claims to be a national party, crossing all levels and sectors of society, and seeking to win support from all. The National Party is sectional and regional in social base, appeal and support. It is therefore antagonistic to the very *raison d'être* of the Liberal Party.

Second, the ideology, and the policies of the two parties are not just different, they are mutually antagonistic. And this became more obvious and more important as the Liberal Party took on more of a 'dry' ideology. (Jaensch 1994, p96)

Kelly suggests that, after 1993, the Nationals were no longer in the strong position they had held vis a vis the Liberals until the 1980s and that the party came to accept their "subservience" within the Coalition (Kelly 1994, p602). He writes that National Party leader Tim Fischer

had to carry the Nationals to support tough free market policies, and he only achieved this with the traditional argument that the Nationals had no future outside the coalition. (Kelly 1994, p602)

Costar sees the Nationals' policy position somewhat differently. Writing of Howard and Fischer, he argues that:

In terms of economic ideology the two parties' leaders are as one in their commitment to the efficacy of the free market and the attendant virtues of economic deregulation. The Liberal Party has all but excised the social ameliorists from its ranks and the National Party

has jettisoned the industry protection policies of John McEwen. (Costar 1997, p135)

Henderson agrees, suggesting in 1995 that "Katter and Boswell aside, Liberals and Nationals fit better in a policy sense than perhaps ever before" (Henderson 1995, p86). In the latter part of the period under review De-Anne Kelly could also be mentioned as a dissenting voice. However, as Jupp observed in the mid-1960s, "[w]ith monotonous regularity the Country Party has refused offers of amalgamation" (Jupp 1968, p160) and this continues to be the case.

Mauldon and Schapper wrote in the early 1970s that

Each of Australia's three major political parties, the Australian Labor Party, Liberal Party, and the Country Party has rural policies and rural adherents. However, only the Country Party, formed soon after World War I, and with origins in farmers' and settlers' associations, has as its central interest the benefits of farmers and rural people. (Mauldon and Schapper 1974, p91)

While the National Party's rhetoric continues to present its objectives in terms of being the sole true representative of farmers and rural people, in recent years that claim has become less convincing. Verrall et al observe that "the National Party has by no means a monopoly of the conservative rural vote" (Verrall et al. 1985, p9) and they suggest that "National Party seats are not typically rural and indeed ... there is no typical National Party electorate" (Verrall et al. 1985, p11). Following the 1998 election, Labor and the Liberal Party could each claim to hold more rural seats than the National Party. In this context it is interesting to note Costar's observation that "the National Party once having lost a seat rarely manages to regain it" (Costar 1994, p132).

As a watchdog for poor farmers during the period under review, the National Party was arguably ineffective. Between 1989 and 1996 this was partly due to its position in Opposition but it also reflected the broad

bipartisan agreement discussed earlier about the appropriate direction for rural policy. After the 1996 election, the apparent shift in National Party policies towards a more free market orientation and its partnership with the Liberal Party in government has meant that it has not returned to the focus on farm incomes which was a key feature of its policies in earlier coalitions.

### **The Liberal Party**

The Liberal Party is the most recently formed of Australia's three major political parties, having been founded by Menzies in 1944. During the early years, the Party was pragmatic and non-ideological (Sharman 1994, p142), aiming to represent the "middle" classes of Australia which did not identify with either of the two sectionally based parties, Labor or the Country Party (Starr 1978, p25). Jaensch suggests that the Liberal Party's "traditional view of itself" is

that it integrates, represents and serves the interests of all people, and all economic interests. It claims to be non-sectional in supports or policies, to be beholden to no specific group in society, and to represent the 'national interest'. (Jaensch 1997, p288)

A less charitable reading of the Party is provided by Tiver who suggests that

The collective image of the Liberal Party is one of a rather mindless party that supports the interests of business and the rich, and is supported by them; that it is clever and pragmatic enough to deceive middle class voters; that only pays lip-service to true liberal principles; and that is loose and amorphous in organization, yet remorselessly efficient at election time. (Tiver 1978, p2)

Starr suggests that there is "a significant section in the community, drawn from all social and economic groupings, that finds political expression through the Liberal Party" (Starr 1978, p45). This support base includes farmers, particularly the more affluent graziers.

The Liberal Party's image began to change in the 1980s. Jaensch observes that "[t]he Liberal Party, prior to the 1980s, had never been forced to declare itself ideologically" (Jaensch 1997, p285). Rather, it had been

the "protector of the status quo or pragmatic reformer of the free enterprise system" (Kelly 1994, p98). Following the election loss in 1983 and the resignation of Malcolm Fraser, a debate emerged within party ranks between the so-called "wets" and "dries". The wets comprised those members who held "small l" liberal views which included socially progressive attitudes and which did not completely reject the possibility of Government intervention in the economy. The dries, by contrast were influenced by the neo-classical economic views of Hayek and Friedman, placing great faith in the market place as producing the most efficient economic outcomes. This latter group also included in its ranks a large number of social conservatives, such as John Howard, prompting Liberal "wet" and former shadow Minister Chris Puplick to write that the party's "faith in the economic 'market' is so rarely matched by faith in the personal 'market'. Some Liberals want to be out of anyone's boardroom but into everyone's bedroom..." (Puplick 1994, p6). Jaensch points out that there had always been "latent ideological tensions" of this nature within the party but there had not previously been an opportunity for them to be aired (Jaensch 1997, p283). Over the course of the 1980s the economic "dries" within the party began to dominate. After the 1987 election campaign dry candidates began to replace leading wets in Liberal preselection contests (Jaensch 1994, p172) and by April 1987, the wet influence in shadow Cabinet had been "consigned to impotence" on the backbench (Kelly 1994, p321.)

The shift in the focus of the Liberal Party towards a position described by Puplick as "a purely economic model of society" (Puplick 1994, p6) culminated in Dr John Hewson's leadership and the production of the detailed and comprehensive, neo-liberal blueprint for Australia, *Fightback!*. *Fightback!* did not address rural issues in any detail. It suggested some

savings that could be made in the primary industries portfolio (Liberal and National Parties of Australia 1991, p270) and one of the seven "cameos" outlining the impact of the package on families was of "John and Valerie & Three Children: Farmers, Central North Queensland". This example explained how changes to the family allowance, the zone rebate and tax cuts would make this family better off (Liberal and National Parties of Australia 1991, p308). No policies were outlined in the areas of drought, income support or rural adjustment.

Sharman observes that "[a] commitment to a set of economic policies with intellectual coherence was new to the Liberal Party", and that "[w]hatever their intrinsic merits, ... [the Fightback] policies cast the Liberals in the unfamiliar role of arguing for more substantial change than the ALP" (Sharman 1994, p144). Following the loss of the "unlosable" 1993 election, the party revised the presentation of its political agenda and proceeded to win the 1996 election on the basis of a very general policy platform. However, once the Coalition was in Government, it was clear that economic liberalism continued to dominate the policy approach.

As mentioned, the Liberals have consistently attracted support from graziers who have been represented in the upper echelons of the party along with businessmen and "members of the higher professions such as law, architecture or engineering". It is worth noting that at one stage, six of the twelve members of Fraser's Cabinet were graziers, including the Prime Minister himself (Tiver 1978, p52). In the current parliament, the Liberal Party holds more rural seats than the National Party (Macfarlane 2000). Nevertheless the current government has continued the tradition that when the Coalition has been in Government, the Primary Industries and Trade portfolios have tended to be held by a National Party Minister. Although the



Liberal Party has at times had its own Rural Committee, as an advocate on farm issues it is very much overshadowed by its smaller partner. National Party agitation has contributed to Government moves such as the Productivity Commission's inquiry into the impact of the National Competition Policy on rural Australia. As far as farm poverty has been concerned, the Liberal Party has left what little policy has been developed in this area to the responsible, National Party, Minister.

In 1994, the Coalition released a policy statement "The Things that Matter", setting out the goals of the Liberal and National Parties". The section entitled "Helping Farmers" argued that "our farming communities' proud heritage has been threatened by the policies of the Labor Government" (Liberal and National Parties of Australia 1994, p20). However, the goals outlined were little different from the policies being pursued by that government. The first goal was to "make farming more competitive and profitable" and others referred to the need for income-smoothing mechanisms (such as income equalisation deposits) to help farmers manage downturns and a recognition that severe drought was an exceptional circumstance that warranted government assistance.

### **The Australian Labor Party**

Farmers have not looked to the Labor Party to represent their interests and indeed it was largely the Labor Party and all that it represented that spurred farm interests to organise the first country parties in Australia's parliaments (Maddox 1985, p259). This antipathy to the Labor Party does not appear to be based on the content of the Party's rural policies. As Warhurst points out, "many of the ALP's rural policies comprise a political agenda which is shared by the Liberal Party and the NFF if not by the National Party" [Warhurst, 1990 #254, p121. From an analysis of census data, Verral et al

conclude that the coalition parties "draw support from lower range socio-economic electorates which in a metropolitan context might be expected to favour the ALP"(Verrall et al. 1985, p11) They conclude though that

The ALP can make little headway against the ideological hegemony of 'country-mindedness', precisely because it is seen as the electoral vehicle of the *enemies* of 'country-mindedness'. ...It is beyond the pale — a party of deviants and outsiders." (Verrall et al. 1985, p21)

In 1983, the new Labor Primary Industry Minister John Kerin posed the question "why don't country people vote Labor", observing that

The answer does not lie in the rural policies Labor has proposed, and when in government implemented; despite ostensible differences in their rationale, there has been a striking similarity between the policies proposed by the Labor Party and the National Country Party. (Kerin 1983, p54)

As a consequence, Gerritsen writes that in the Hawke government "[t]here was a feeling amongst the Labor party's key strategists that farmers were never going to vote Labor and therefore did not justify wooing" (Gerritsen 1987, p49).

For most of the first century of Federation, farmers did not need to deal with the Labor Party. Having written the Party off as unsympathetic and representing all that farmers reject about urban society, rural Australia was in the happy position that for many years their interests were served at the Commonwealth level by National Party Ministers in Coalition governments. The first major shock came with the election in 1972 of the Whitlam government. Maddox writes that "the Whitlam government was the first truly urban-orientated [sic] government in Australia's history" and he suggests that this generated a "rural backlash" (Maddox 1978, p271). In spite of having a "very able and highly regarded Minister for Agriculture in Ken Wriedt" (Martin 1990, p159), the government was regarded with great suspicion and it reinforced rural prejudices by proceeding with a series of

policy decisions which were very unpopular with farmers. These included the revaluation of the Australian dollar, reduced funding for wool research and promotion, reductions in rural subsidies and concessions and the end of the superphosphate bounty (Lucy 1975, p197). Maddox argues that not all rural groups were entirely critical:

Some sections of rural industry were indeed prepared to recognise that Labor's administration was quite sound. The cultivation of new overseas markets for primary produce, the reserve-price wool scheme, the renegotiation of the wheat-stabilisation plan and the initiative of the Green Paper reporting on all aspects of rural policy in Australia were all received with favour. (Maddox 1978, p271)

However, the organisation representing graziers, and therefore more inclined towards a free trade position, was very negative about the Whitlam Government. In his Presidential address to the 1975 Convention of the Australian Woolgrowers' and Graziers' Council, Mr EPS Roberts referred to the "anti-rural Government in Canberra" and criticised the Government's reaction to the high levels of inflation and interest rates and the policy of wage indexation. He made no mention of tariff reductions and did not suggest that there were any areas in which the Labor Government's rural policies were sound (Roberts 1975).

The real challenge for farmers, however, came after 1983 when the National Party was in Opposition for thirteen years and farmers had no choice but to deal with the Labor Party if they hoped to achieve any of their policy objectives. There is disagreement about the success of the Hawke government in working with farmers. Martin argues that

The Hawke period must be regarded as being one of successful management of rural policy in both political and economic terms. Not only was the natural antipathy between farmers and a Labor government successfully managed, but a substantial degree of agreement on policy reform was achieved. (Martin 1990, p176)

By contrast, Gerritsen suggests that Labor neither understood nor controlled the rural policy "agenda" (Gerritsen 1987, p47). He further argues that "the

government and the farmers [had] diametrically opposed views as to solutions for the crisis" (Gerritsen 1987, p55). This latter position is hard to sustain given that the NFF was a leading advocate of market economics, a position a long way removed from the pre-NFF farm organisations' interventionist tendencies and quite consistent with the "economic rationalist approach" (Martin 1990, p160) pursued by John Kerin as Minister for Primary Industry in the Hawke government. There is little doubt that the relationship between the Labor government and the NFF was strained during the presidency of Ian McLachlan. However, these tensions were not the result of fundamental disagreements over the direction of rural policy — they were related to the NFF's and McLachlan's position on Australia's industrial relations system. Hawke and Keating reportedly regarded McLachlan as a "political enemy" (Kelly 1994, 257) and the NFF's high profile involvement in the Mudginberri dispute was certainly not likely to endear the organisation to a Labor government. Once McLachlan had departed from the NFF, its relationship with the government settled down. Former NFF Executive Director, Rick Farley describes the high profile antagonism between Hawke and Keating and McLachlan as "a storm in a teacup" (Farley 2000, pers comm).

Although the NFF approved of the general direction of Labor's rural policies, a number of key decisions generated criticism from rank and file farmers. The decision to remove drought from the Natural Disaster Relief Arrangements was roundly criticised, with calls for its reinstatement continuing for a number of years. In evidence to the Senate Rural and Regional Affairs Committee in 1994, United Graziers Association President Larry Acton commented that "[i]f a drought like this, which is an exceptional circumstance, is not a natural disaster, I do not know what is" (Senate Rural and Regional Affairs and Transport References Committee 1994a, p1515).

There was also dissatisfaction with the explicit loan nature of the Farm Household Support Scheme and, during the worsening drought in 1994, the Minister for Primary Industries and Energy, Senator Bob Collins came under attack over the "lines on maps" which distinguished between those farmers eligible for exceptional circumstances drought assistance and those who were not. Although at a personal level Collins established a good rapport with farmers and their representatives, it was clear that the farming community could not forget that it was dealing with a Labor government.

One of the final major policy initiatives of the Labor government which continues to generate concern in rural Australia was the commissioning of the Hilmer Report into National Competition Policy (Hilmer et al. 1993) and the subsequent establishment of the National Competition Council with its program of legislative review. Of particular concern to farmers was the review of statutory marketing arrangements and, for graingrowers, the review of the export monopoly powers (single desk) of the Australian Wheat Board. The report found schemes involving production controls, compulsory acquisition, price fixing and monopoly marketing arrangements to be "grossly inefficient" (Hilmer et al. 1993, p143). The Committee also noted that

notwithstanding some encouraging process, there appears to be a substantial agenda of important potential reforms in relation to the many regulatory restrictions operating in the agricultural marketing area. (Hilmer et al. 1993, p144)

In the lead up to the 1996 election, the Grains Council of Australia was quick to lobby both sides of politics to obtain guarantees that the review of the Wheat Board's monopoly powers would be at the end of the program of legislative review, not the beginning. A draft report of the review into the single desk arrangements was released for public comment in October

2000 – interestingly the draft did not include any recommendations (Irving et al. 2000).

Overall, the Labor party could never act as an effective watchdog for poor farmers. As Gerritsen writes, the

Active and partisan hostility amongst the clientele [of rural policy] obviously complicates the uncertainty of the policy making process for [a] Labor government. ...Labor cannot be allowed to be seen as solving agricultural industry problems. (Gerritsen 1987, p54)

However, it should be noted that in John Kerin and later Bob Collins, the Labor Party had Ministers with a real understanding of and genuine interest in rural policy.

### **Australian Democrats**

The Australian Democrats were founded in 1977 by disaffected Liberal Don Chipp. Chipp brought together the remnants of the Australia Party along with members of the New Liberal Movement (Warhurst 1997). The Democrats have positioned themselves as "a party of the middle ground" (Bean 1997, p81) attracting support mostly in urban and metropolitan areas (Jaensch 1997, 321). As a "new politics or postmaterialist party" (Bean 1997, p81), the Democrats are unlikely to appeal to farmers and therefore to be sought out as a political advocate of their concerns.

However, the Democrats' social justice focus has led Senators to speak on behalf of poor farmers in language strikingly similar to that used by the National Party. During the debate on the Farm Household Support Scheme in 1992 then Deputy Leader of the Democrats, Senator Meg Lees questioned the direction of the Government's rural policy arguing that RAS 92 and the Farm Household Support Scheme took Australia "further along the economic rationalist path in agriculture". She continued, "[t]he

Democrats question whether that is a sensible thing to do — encouraging in economic, social and environmental terms what is really a disaster" (Lees 1992). Reflecting the Democrat's rejection of big business, their social justice focus and their concern about the environment, Senator Lees highlighted two different approaches to agricultural policy:

Two competing visions have emerged of the future of agriculture. The first, often referred to as sustainable agriculture, calls for economic and social initiatives to protect the environment and family farms. This approach emphasises the use of public policy to promote economically secure family farms and rural communities; to preserve soil, water and biodiversity; and to use farming practices which are less chemically and energy intensive — without rejecting technology.

The opposing view is the free market, free trade or deregulatory approach which pursues economic efficiency above all else to deliver crops and livestock at the lowest possible prices. Almost all social, environmental and health costs are, to use the economic jargon, externalised. In other words, they are left out of the price and paid for not directly by the buyer but by taxpayers and, in some cases, future generations. (Lees 1992)

The Democrats were critical of the loan nature of the Farm Household Support Scheme, rejecting the Government's argument that grants were likely to act as subsidies to uneconomic businesses. They saw household support payments for farmers as "a basic human right" arguing that "it is surely one of the fundamental tenets of social justice that people are supported in times of need" (Lees 1992).

In 1993, Senator Woodley rejected the view of the Democrats as a political party which is not interested in rural issues. He wrote

Nothing could be further from the truth. In fact, we take a great interest in rural issues and we don't just sit in our city offices thinking about them. We do a lot of travelling in country areas, looking at matters in our portfolio areas. (Woodley 1993, p10)

Woodley reported that the Democrats had proposed a number of measures to assist rural Australia including debt restructuring, regional development planning, re-regulation of the Australian dollar and financial markets and the selective use of tariffs, tax incentives, value adding and other "positive

industry intervention measures" (Woodley 1993, p10). In 1994, Woodley expressed his concern that the Government's rural policy approach was to "mitigate the effects of rural decline rather than arresting or reversing it". He called for

a political commitment that says that we really do believe in the bush; that we do believe in the country areas of Australia, that we do believe in rural industry; that we do believe in rural communities; and that we are going to make a commitment that will enable them not only to survive, but to grow and to make the contribution which we know they are capable of making to this great country. (Woodley 1994).

The Democrats, while sympathetic to the plight of poor farmers, are ineffective in generating policy change when faced with broad agreement between the major parties on policy direction. Even when the major parties do not agree, the Democrats cannot necessarily get their amendments accepted. In an extraordinary example, the Democrats moved an amendment in the Committee stage of the Farm Household Support Second Reading debar to alter the FHS payments from a loan to a grant. Although "it would be the coalition's policy to move towards grants and [it] would certainly intend to do that following the next election", the Opposition did not support the amendment on the grounds that it was "sick and tired of amending the Government's mistakes in legislation" and also "[t]he National Farmers' Federation was not consulted about these amendments" (Tambling 1992).

### **Minor Political Parties**

#### *Pauline Hanson's One Nation*

Pauline Hanson rose to prominence with her maiden speech in the House of Representatives on 10 September 1996. The new member for Oxley delivered "one of the most explosive addresses yet heard in an Australian Parliament" (Henderson 1998, p15). She quickly gained media attention as well as applause from groups such as the Australian League of Rights



(Pasquarelli 1998, p325). Ms Hanson's maiden speech contained no reference to rural issues but did include populist economic positions such as advocating protection and opposing privatisation of Australian "icons" such as Qantas and Telstra (Hanson 1996).

Ms Hanson later become involved in debate on some rural issues. For example, in 1998, Australian pork producers faced considerable pressure following the Government's decision to lift quarantine restrictions on the importation of pig meat into Australia. Pauline Hanson raised this issue in Parliament, using it as an example of the problems of free trade. In language which would have appealed to traditional National Party supporters, Hanson described the pork industry as "mostly made up of family farms and ... perhaps one of the best examples of Australian farming as a small business". She went on to state that "[u]nfortunately the years of hard work, personal and financial commitment and dogged determination have suffered at the hands of uncaring government policy" (Hanson 1998). While Hanson's claim that "rural and regional voters are deserting the National Party in droves" (Hanson 1997) was an overstatement, in 1998 private party polling in then Deputy Leader of the National Party, John Anderson's rural NSW seat of Gwydir showed that 49 per cent of voters intended to vote for One Nation (Kingston 1999b, p xvii).

As a watchdog for farmers, the One Nation Party is not particularly effective, in fact its intervention on an issue can be counter productive. In the case of the pork industry cited above, Pauline Hanson's statements in Parliament came at a time when the pork industry's peak body, the Pork Council of Australia (PCA) was engaged in negotiations with the Government over possible safeguard actions under the World Trade Organisation. The involvement of Hanson on the issue ensured that Pauline Hanson, One

Nation and the pig industry came to be grouped together. As a result, the very real concerns of the industry were marginalised as the politics of attacking One Nation became tied up with the rejection of calls for support for the pork industry. The PCA's position has since been vindicated by the findings of a Productivity Commission inquiry but in 1997 and 1998 the plight of the industry was unlikely to be taken up by any other political party once it was seen as a One Nation cause (Ramsay 2000, pers comm).

### *The League of Rights*

A feature of rural Australia since the 1960s has been the existence of the League of Rights, described by Warhurst as the "right-wing fringe of Australian politics ... which capitalises on rural discontent and poverty" (Warhurst 1990, p121). Although not strictly a political party, in that it seeks to subvert rather than participate in the political process, the League of Rights has been an important force in rural Australia. The League is an extremist, right-wing anti-semitic organisation, described by Campbell as "semi-clandestine" (Campbell 1978, p96). From 1967, the organisation targeted rural Australia as "the most conducive area of operations" and its publications "attempted to exploit and intensify the division between the rural area and the cities, and depicted the cities as parasitical upon the country areas" (Campbell 1978, p11). The League had an active policy of infiltration of farming organisations and community organisations as well as political parties, particularly the Country Party.

The mainstream political parties have given the League of Rights a very wide berth with all parties distancing themselves from the organisation and its objectives. In 1995 Graeme Campbell, the maverick ALP member for the Western Australian seat of Kalgoorlie cause concern in his party over a number of issues including his "attendance at meetings of such groupings as Australian Against Further Immigration and the League of Rights"

(Keating 1995). He was disendorsed by the Party on 1 December 1975. Even Pauline Hanson's supporters were keen to disassociate themselves from the League (Pasquarelli 1998, p242). Government Ministers are very careful to avoid contact with any of the League's front organisations which have included over the years the Lilac (Ladies in Line Against Communism) League, the Christian Institute for Individual Freedom, the Institute of Economic Democracy, the Australian Heritage Society, the Conservative Speakers Clubs, the Queensland-based Save our State Organisation (Campbell 1978, p90) and, more recently, the Rural Action Movement.

The League of Rights speaks the language of agrarian fundamentalism and appeals to the socially conservative farmers who see big government, big business and the city as the root of all evil. Campbell lists "farmers and primary producers" as the number one category of "persons who are typically attracted to join or are predisposed to support the League of Rights" (Campbell 1978, pp93-94). Although not important as a watchdog for poor farmers due to its fringe status within the policy community, the League does provide a sympathetic forum for the disaffected rural poor.

### **Conclusion**

Watson writes that "Australian rural policies do not have a clear party-political character" (Watson 1979, p171) and this can be seen in the fact that only incremental changes were made by the incoming Coalition government to the rural adjustment and welfare programs in place under Labor. Nevertheless, farmers as a group reject the Labor party as unsympathetic and lacking in understanding of the farm sector. Watson observes that

The political allegiances of farmers seem to depend more on generalized opposition to the urban orientation of the ALP,

particularly with respect to social issues and its links with the trade unions, than to its agricultural policy *per se*. (Watson 1979, p171)

By contrast, Verrall et al suggest that "[t]he ability of the [National] party to attract electoral support is impressive especially given its evident lack of success in achieving its major policy objectives."(Verrall et al. 1985, p18)

None of Australia's political parties is a particularly effective watchdog for farm welfare issues. Farmers' overwhelming antipathy towards the Labor Party is not conducive to the development of strong sympathy within that party towards rural causes, although it must be noted that probably the most generous scheme of the decade under review, the Drought Relief Payment, was introduced by a Labor Government. As Lawrence points out, Labor's motivation for assistance is one of social equity (Lawrence 1987, p77), or in the language of the early 1990s, social justice. As noted, the Democrats have also spoken out on farm welfare issues on social justice grounds.

The "farmers' friend", the National Party, has continued to promote an agrarian ideology, or "countrymindedness" (Craig and Phillips 1983; Verrall et al. 1985; Duncan and Epps 1992), while pursuing a strong anti-welfare, anti-union position, and the party's coalition partner has increasingly adopted economic liberalism as its guiding philosophy over the course of the 1980s and 1990s. The Party has also lost its electoral strength with the Liberals holding more rural seats in the current Parliament. Accordingly, the National Party has not proved particularly effective at representing farmers in poverty. It is worth noting that within the ranks of the National Party there are a few outspoken members who have criticised the Coalition's policy direction, notably Ron Boswell, Bob Katter and De-Anne Kelly. However, it is suggested that the role of these backbenchers is as a "safety-valve" for discontent within the party. As Eyestone has suggested, "[b]eing a maverick is tolerated best, whether in a legislative setting or in

administrative circles, when it is seen as harmless (and ineffectual) eccentricity" (Eyestone 1978, p37).

As has been demonstrated earlier, between 1989 and 1998 successive governments made only incremental changes to programs intended to support farmers in poverty. The major political parties pursued similar policy approaches based on improving the productivity of the farm sector and providing income support within the context of structural adjustment policies. The reluctance of farmers to trade their vote between the major parties has undoubtedly reduced the inclination of the parties to give higher priority to farm poverty issues. The Democrats have attempted to raise social justice issues related to income support but without the support of one of the major parties, they are unable to influence policy. As noted above, any moves by Pauline Hanson's One Nation Party to act on behalf of poor farmers have proved to be counter productive, however since the 1998 election, support for Ms Hanson has seen the major parties refocus their attention on the concerns of rural and regional Australia.

## CHAPTER EIGHT: COUNTRYMINDEDNESS AND ECONOMIC LIBERALISM: THE ROLE OF IDEAS AND VALUES IN POLICY MAKING

One of the themes which emerges when examining the policy approaches of the Commonwealth public service, the National Farmers' Federation and other interest groups, and the political parties in the period under review is the strong influence of economic liberalism. As is often the case when a powerful ideology has become entrenched within policy circles (Doern and Phidd 1983; Hall 1989a; Goldstein and Keohane 1993), the pervasiveness of this framework for policy development meant that there was little scope for policies to be developed based on alternative assumptions. In the case of farm poverty, the policy process resulted in the development of complex programs which were inappropriate for tackling the problem at hand. The economic approach failed to take account of the non-economic factors influencing farmer behaviour and demonstrated a limited capacity to incorporate non-economic values into the policy development process.

In 1970, Henry Schapper wrote:

At the one and the same time in Australia, there is need for efficient farming and there is concern for inadequate income farmers. But there is no political or economic mechanism which *automatically* ensures harmony between efficiency and welfare. This can be resolved only by government policy. (Schapper 1970, p91)

In recent years this balance appears to have been resolved in favour of economic efficiency. The domination of policy-making by economic logic has tended to create an impression that the resulting policies are value free and therefore objective. However, this objectivity is an illusion. As will be discussed shortly, the economic model informing the version of economics which became known in Australia as "economic rationalism" is based on particular assumptions about human behaviour and desirable outcomes which are not often made explicit (Blandy 1992, p105). Governments have been vague about the type of agriculture which will result from these policy

approaches, continuing to employ the rhetoric of the family farm while pursuing economic policies which are more advantageous to corporate and larger-than-family farmers (Lawrence 1987). The ability of government to pursue these policies with the agreement of the NFF has been furthered by the tendency of farmers to respond to the images and rhetoric of self-reliance and the free market, many of which economic liberalism shares with agrarianism.

The three previous chapters of this study have examined the role of key policy players and, following Lindblom, their role as watchdogs for poor farmers. The policy approaches of the DPIE, the NFF and the major political parties have been underpinned by a commitment to economic liberalism. Goldstein and Keohane suggest that "policy outcomes can be explained only when interests and power are combined with a rich understanding of human beliefs" (Goldstein and Keohane 1993, p13). In order to do this, this chapter examines the key components of agrarianism and economic liberalism and, taking a more normative approach, suggests that the policy process needs to take account of all relevant values if effective solutions to farm poverty are to be developed.

In discussing economic policy, it is easy to divert the debate from the main point to disagreement over terminology. "Economic rationalism" has often been used in Australia in a pejorative manner and, as Freebairn has pointed out, the term lacks precision, having never been clearly defined (Freebairn 1993, p43). This chapter will therefore only use the term in direct quotations. Fred Argy has described the views of the "great bulk of the economics profession" as constituting a belief that

governments should generally interfere as little as possible with price relativities, and should expose the economy as much as possible to the disciplines of competition: this is because they are of the view

that in the long run it will tend to promote a more efficient allocation of resources, a better climate for technological and product innovation and higher average living standards (Argy 1992, p152).

This chapter will encompass this set of beliefs in the term "economic liberalism", suggesting a general preference for market solutions to policy problems.

### **Values and Ideas in the Policy Process**

In his study of the policy development process in the United States, Kingdon examines a range of factors which come together as policy. Among these are values and ideas. Kingdon suggests that "in our preoccupation with power and influence, political scientists sometimes neglect the importance of content" (Kingdon 1995, p127). He goes on to argue that sometimes ideas "turn out to be as important as political pressure" (Kingdon 1995, p143). Moore agrees, writing that "ideas matter", because "they establish the contexts within which policy debates are conducted, organizational activities are rendered coherent and meaningful, and people's actions are animated and directed" (Moore 1988, p78). Values can influence every stage of the policy development process from agenda setting to implementation. As Hogwood and Gunn observe, "what policy makers define as problems and how they define them will be deeply influenced by the values they bring to the policy-making process" (Hogwood and Gunn 1984, p113). Reich writes of being

struck by how much the initial definition of problems and choices influences the subsequent design and execution of public policies. The act of raising the salient public questions ... is often the key step, because it subsumes the value judgments that declare something to be a problem, focuses public attention on the issue, and frames the ensuing public debate. (Reich 1988, p5)

Kingdon concurs, arguing that

[t]he values one brings to an observation play a substantial role in problem definition. A mismatch between the observed conditions and one's conception of an ideal state becomes a problem. (Kingdon 1995, p110)



These values are an amalgam of personal views, organisational priorities and prevailing economic and social theories.

Sir Geoffrey Vickers describes the concept of "appreciative systems" which he argues are "a set of readiesses to distinguish some aspects of the situation rather than others and to classify and value these in this way rather than that" (Vickers 1965, p67). He goes on to argue that "these readiesses have to be learned; and like all learning, they are necessarily limiting, as well as enabling" (Vickers 1965, p68). Within a bureaucracy, these appreciative systems are developed in officials as they move through their careers or, as Self writes, "Departmental philosophy appears to spread by osmosis among participants and to produce a kind of collective personality" (Self 1977, p92).

It is therefore important to review the ideas which directed the policy debate during the period under review in order to understand why policies were shaped the way they were and how farmers were likely to respond.

### **Economic Liberalism — a dominant idea?**

Doern and Phidd argue that there are three levels of normative content in public policy: ideologies, dominant ideas or paradigms, and objectives. Ideologies are the broad, umbrella sets of beliefs that serve to provide political and social identity to their adherents (Doern and Phidd 1983, p51). Paradigms provide "a series of principles or assumptions which guide action and suggest solutions within a given policy field", while objectives relate to more specific issues within a policy field (Doern and Phidd 1983, pp57-58).

During the 1980s and 1990s in Australia, economic liberalism was the prime idea or paradigm in the rural policy community. In common with many government departments in Canberra, DPIE policy was developed within this intellectual framework, as were the policies of the NFF and the major political parties. Even the National Party became more comfortable with such a policy line, particularly under the leadership of Tim Fischer.

Head describes the economic approach as follows

The ideology of 'economic rationalism' derives from the *a priori* assumptions of neo-classical economic theory. In particular, it assumes that *market forces* typically unleash growth, innovation and efficiency, whereas *governmental* regulations and expenditures typically impede growth, stifle productivity and entrepreneurship, and generate inefficiencies in both the private and public sectors. (Head 1988, p466)

Whitwell writes that the distinguishing characteristic of the so-called economic rationalists was "a basic confidence in the workings of the market mechanism" (Whitwell 1994, p222). Economic liberalism is based on a set of assumptions about the operation of the economy – in essence that economic agents are utility-maximisers and the market mechanism is the most efficient means for allocating scarce resources.

McTaggart et al define efficiency as follows:

When **economic efficiency** has been achieved, production costs are as low as possible, and consumers want the combination of goods and services that is being produced. Three distinct conditions produce economic efficiency. They are: efficient production, efficient consumption, and efficient exchange.

Efficient production is achieved when each firm produces its output at the least possible cost. Efficient consumption is achieved when everyone buys the goods and services that make them best off, by their own evaluations. And efficient exchange is achieved when everyone is specializing to earn a living by doing the job that gives them the highest possible income. (McTaggart et al. 1996, p13 )

On such a definition it is worth noting, as Etzioni points out, that efficiency is a value, just like equity or fairness (Etzioni 1988, p245). With respect to

family farming the behaviour that follows from these assumptions would see farmers transferring from farming into other forms of economic activity if the rate of return elsewhere outstripped the returns to capital in farming.

In his controversial study of members of the Commonwealth Senior Executive Service, Pusey described the impact of "economic rationalism" as a "locust strike" sweeping Canberra (Pusey 1991, p1). Described by one reviewer as an "intellectual lightning rod" (Bell 1993, p387), the book generated much debate over the role of economists in policy development (Argy 1992; Blandy 1992; Bell 1993; King and Lloyd 1993; Rees 1994; Pemberton 1995). Pusey's book was a polemic against neoclassical economics and its practitioners suggesting that economists educated in the 1960s "have acquired what looks ... like a trained Incapacity to learn from all later experience" (Pusey 1991, p6). He later softens his language arguing that "there is of course no quarrel with economics *per se*" but qualifies this concession by arguing that his quarrel is

with an underlying scientism that seems to turn arbitrariness into givenness and imperiously asserts its own exclusive evaluative criteria for what will, in the wake of 'reforms', count as intelligence, ability and efficacy within and beyond Canberra. (Pusey 1991, p10)

Pusey has been criticised for the interpretation he places on his data (Blandy 1992) and also for the lack of precision in his "survey methods, data analysis and depiction of economic rationalism" (Bell 1993, p392). Reviewers have also pointed to ideological biases in his work (Argy 1992; Bell 1993). Bell makes the point that "for a book dealing with economic rationalism *in Canberra*, we hear surprisingly little about the role of the government or its key ministers" (Bell 1993, p389). Pusey states, without much supporting evidence that

What the ministers want from the new bureaucrats is a full partnership in subordinating *all* policy and management decisions to the strategic imperatives of macro- and micro-economic management. (Pusey 1991, p193)

This interpretation overplays the influence of economics, not allowing for the role of politics in the policy process. For example, the Drought Relief Payment, discussed in Chapter Four, was driven by the Minister's Office in response to political concerns.

Although Pusey's argument exaggerated the strength of "economic rationalism" it nevertheless drew attention to a very real trend in government policy making. Woodward describes the history of the Hawke and Keating governments as being "characterised by its progressive moves down the economic rationalist path" (Woodward 1997, p426), a trend which was continued by the Howard Government (Woodward 1997, p432). John Kerin, who served as Minister for Primary Industries and Energy under Hawke and as Treasurer under Keating, suggests that the economic approach of the bureaucracy was shared by Ministers, describing Cabinet as "very economically rational" (Kerin 2000, pers comm).

The influence of economists within the bureaucracy is not a new phenomenon. Whitwell argues that the dominance of economics graduates within the Australian bureaucracy dates back to the Second World War (Whitwell 1986, p9). In Whitwell's analysis, the neoclassical approach of which Pusey is so critical began emerging within Treasury as the 1970s progressed (Whitwell 1986, p178). Given the influence of Treasury on economic policy making in the Commonwealth Government it is not surprising that these views came to inform policy processes across a range of portfolios. There is little doubt that the economist is in a position of strength within the Commonwealth Public Service. Groenewegen and McFarlane observe that

never has the status of economists been as high as in the period after 1971, especially as compared with any input into the governmental decision-making process by researchers such as

anthropologists, political scientists and sociologists. (Groenewegen and McFarlane 1990, p205)

Australia is not unique in this experience. Dror was writing of "an invasion of public decision-making by economics" in the mid-sixties (Dror 1967, p197).

The presence of economists within the bureaucracy is perhaps not as notable as the strength of a single strand of economics. Hall seeks to explain how economic ideas become influential, outlining three perspectives on their diffusion: economist-centred, state-centred and coalition-centred (Hall 1989b, p8). Of these explanations the economist-centred and state-centred views offer some insight into the widespread adoption of economic liberalism by policy makers in Australia. The economist-centred explanation suggests that the persuasiveness of the ideas themselves leads economists to adopt them in their recommendations to policy makers. As Whitwell describes (Whitwell 1986), economic liberalism was becoming influential among economists well before its influence became obvious in government policy. Groenewegen and McFarlane write that

The American version of neoclassical economics which became the fount of economic wisdom as part of America's hegemony over the Western world began to overwhelm Australia from the 1960s. (Groenewegen and McFarlane 1990, p232)

Ideas do not suddenly catch on, they have often very lengthy gestation periods during which a period of "softening up" of the policy community, the general public and politicians takes place (Kingdon 1995). Once persuaded of the value of an idea, the policy community is more likely to promote it. The state-centred approach suggests that "the reception accorded new economic ideas will be influenced by the institutional configuration of the state and its prior experience with related policies" (Hall 1989b, p10). In the 1980s the new Labor government was keen to

establish its credentials as a sound economic manager. It would have been, therefore, particularly receptive to an economic approach which came with all the trappings of rationality and technical expertise. This willingness on the part of the Executive coincided with the growth of support for economic liberalism within the bureaucracy.

The position of economists within the policy process is strengthened by the tendency among officials to defer to "experts". This was noted by Simon et al in their important work *Public Administration*. Originally published in 1950, the writers observed that

great deference is paid to the recommendations of experts, and ... these recommendations covertly introduce into administrative decisions values of which even the experts are unaware. Further, because nonexperts hesitate to contradict experts, experts may inject into administrative decisions value preferences of which they definitely are conscious. (Simon et al. 1991, p547)

This deference to the expert has been used to great effect by economists in the Australian bureaucracy. Blandy notes that they have skilfully occupied the "intellectual and moral 'high ground'" in the policy debate. He argues that

The central agency economists have done this superbly and have steadily expanded their grip on the periphery of the public service as a result. Theirs has been a brilliantly successful campaign. The extraordinarily powerful thought [and] consistent ... framework of modern economics has overwhelmed the alternative intellectual options. (Blandy 1992, p105)

The position of the expert is strengthened through the use of specialist language. Jones argues that one of the features of this "cult of the expert" is that dissenter's views "are denied legitimacy because they lack the language or the professional standing to have them considered in the arenas of respectable exchange of ideas" (Jones 1993, p267).

Fischer expresses concern about what he describes as the rise of "technocorporatism" in which

Economic and political guidance becomes more a problem of planning and management than an issue for public deliberation and, as such, is seen as a job for which only the experts are uniquely equipped. (Fischer 1990, p16).

A related feature of this policy environment has been the trend towards politicians offering prescriptions to the community based on economic arguments, rather than attempting to persuade the electorate of the merits of their policy stands (Walter 1996, p86). In a paper concerned with the use of economic rhetoric in presenting a particular world view, Pemberton observed that "the economy' seems now to transcend the operations of government having needs and requirements of its own" (Pemberton 1988, p192).

This emphasis on the economic and the widespread adoption of economic jargon serves to limit debate on alternative policy options which address non-economic priorities. Responsible for developing responses to farm poverty, the Department of Primary Industries and Energy drew heavily on the research and advice of the Australian Bureau of Agricultural and Resource Economics (ABARE) which provided a solely economically-focused analysis of issues — and agricultural economists were also operating within the neoclassical framework (Malcolm 1989, p148). This, combined with the procedural requirement to obtain Department of Finance support for any proposal going to Cabinet, put pressure on those developing farm welfare policy both to justify proposed programs in economic terms and to ensure that they were not at odds with other policy objectives. This tailoring of policy to suit the dominant economic framework is not surprising as policy makers often "frame their actions with a view towards what is required to get a policy adopted" (Art 1973, p471).

The outcomes of the policy process can clearly be influenced by a powerful belief system of this nature (Vickers 1965; Jenkins-Smith 1988; Sabatier 1988). As Hogwood and Gunn put it, such organisational "conventional wisdom" can render many alternative policy options "almost literally 'unthinkable'" (Hogwood and Gunn 1984, p172). Minogue argues that

We know from studies of real organisations that not only may real information be screened out if it doesn't accord with established beliefs and preferences; but ... competent critical people may also be "screened out" in favour of incompetent uncritical people... (Minogue 1993, p22)

Manne describes the difficulty of disputing this level of "expertise":

Anyone who might express uncertainty or disagreement with one or another of these pieces of certain knowledge or the policies that are supposedly derived from them is a dispenser of what is inevitably, if not originally, labelled snake oil. To put the matter simply, the defences of economic rationalism ... are undisguisedly arguments from authority — no more, no less. We are experts, *ergo* we know. (Manne 1993, p37)

In Australia in the 1980s and 1990s, the dominance of economics was evident beyond the public service, encompassing interest groups wishing to influence policy, and a large part of the media. As Atkinson and Coleman have pointed out, the possession of technical expertise

has become crucial to effective participation. For those who have such expertise, the exchange of information between state and private actors can create privileged relationships from which the uninitiated are excluded. (Atkinson and Coleman 1992, p157)

Thus the already close personal relationships between officers in interest groups in Canberra and the bureaucracy have been strengthened by a shared approach to economic policy. The fact that the Farm Household Support Scheme had to be framed by its advocates in the DPIE in terms of failure by the commercial banking sector to deliver appropriate farm finance highlights the need for players in the policy development process to speak the same (economic) language in order to achieve their goals.



## Agrarianism

The objective of rural adjustment policies has been to influence farmer behaviour in an effort to improve the performance of the farm sector. This has included the provision of incentives to farmers who are not making adequate incomes in agriculture to move out of the industry, thereby freeing up resources for more efficient management or allowing for the amalgamation of undersized properties. These incentives have been developed within the economic framework described above and reflecting the values inherent in that framework.

However, many family farmers in Australia continue to be influenced to varying degrees by the values of agrarianism. Agrarianism has a long history. Poets, philosophers and politicians have romanticised rural life for centuries creating an image of agriculture as a morally desirable undertaking. Montmarquet observes that

a fundamental premise of much of classical thought — to be found ... in Hesiod, in Virgil, in Cato, in Cicero, in Xenophon, and a host of lesser writers — is that agriculture *is* a way of life which promotes certain distinctive virtues: justice, honesty, independence, courage and a capacity for hard work. (Montmarquet 1989, p26)

Beus and Dunlap describe a view of agriculture, promoted by Thomas Jefferson, as transcending its economic role, with the family farm as "the bastion of integrity, morality, common sense, and popular democracy" (Beus and Dunlap 1994, p465). These images have been persistent over time.

The seminal modern definition of agrarianism was published by US sociologists Flinn and Johnson in 1974, based on their historical analysis of events between 1850 and 1969 and on editorials which appeared in a range of US farm journals over the same period. They outlined five "tenets of agrarianism" as follows:

- *"farming is the basic occupation on which all other economic pursuits depend for raw materials and food"*
- *"agricultural life is the natural life for man; therefore, being natural, it is good, while city life is artificial and evil"*
- farming delivers the *"complete economic independence of the farmer"*
- *"the farmer should work hard to demonstrate his virtue, which is made possible only though [sic] an orderly society"; and*
- *"family farms have become indissolubly connected with American democracy".* (Flinn and Johnson 1974, pp189-194 — italics in original)

Although it has been suggested that agrarianism in Australia is a home-grown product (Graham 1966, p47), with the exception of the final, Jeffersonian feature, Flinn and Johnson's description could just as readily describe the "countrymindedness" of Australian farmers. Farmers are strikingly suspicious of urban interests and attribute characteristics to the farming way of life which are seen as morally superior — such as reward from effort, hard work and so on. Don Aitkin's description of Australian countrymindedness is set out below. The similarities between this and the work of Flinn and Johnson are obvious but Aitkin's features are worth listing as they pick up the Australian flavour of this brand of agrarianism — recognising the historic importance of agriculture initially as a contributor to GDP and later as an export earner, and the place of the bush in Australian folklore:

- (i) Australia depends on its primary producers for its high standards of living, for only those who produce a physical good add to a country's wealth.
- (ii) Therefore all Australians, from city and country alike, should in their own interest support policies aimed at improving the position of primary industries.
- (iii) Farming and grazing, and rural pursuits generally, are virtuous, ennobling and co-operative; they bring out the best in people.

(iv) In contrast, city life is competitive and nasty, as well as parasitical.

(v) The characteristic Australian is a countryman, and the core elements of the national character come from the struggles of country people to tame their environment and make it productive. City people are much the same the world over.

(vi) For all these reasons, and others like defence, people should be encouraged to settle in the country, not in the city.

(viii) But power resides in the city, where politics is trapped in a sterile debate about classes. There has to be a separate political party for country people to articulate the true voice of the nation. (Aitkin 1985, p35)

This ideology has implications for the policy process as Canberra-based officials and urban, particularly Labor, politicians are immediately at a disadvantage in dealing with rural issues. Their motives are open to question, they are not seen as contributing any great value to the Australian economy and they represent the antithesis of all that is good and virtuous about farming.

A study by Craig and Phillips of Australian graingrowers showed "the same broad attitudes are held by southern Australian cereal farmers as are held by North American farmers" (Craig and Phillips 1983, p413). Although little other study has been undertaken in Australia on agrarianism (Halpin and Martin 1996, p12), there are sufficient similarities between the Australian and US experience that the large US literature in this area provides some useful insights.

Agrarianism in Australia and the US has been associated with the family farm. Neither country went through the period of feudalism and serfdom which characterised early agriculture in Europe, developing rather what Montmarquet describes as a "yeoman agriculture" (Montmarquet 1989, p86). In the case of Australia, it should be noted that the original shape of agriculture in the colonies was dominated by broad scale pastoral holdings by wealthy squatters (Craig and Phillips 1983, p412). A series of land

reforms were enacted in the 1860s "in the interests of a *social* ideal of an industrious yeomanry" (McMichael 1984, p220), with a view to opening up the squatting leaseholds to small farmers. In recent years in Australia there has been debate about the future of this model of the family farm and concern that there is a trend towards agribusiness and corporate farming (Lawrence 1987; Lees 1997).

Agrarianism is a nebulous concept which allows for its selective use for varying ends. It has been described as "multi dimensional and malleable" (Halpin and Martin 1996, p21) and "a multifarious concept that defies simple definition" (Beus and Dunlap 1994, p462). However, at its core is the belief in the "specialness" and moral value of farming as a way of life. A number of writers have suggested that agrarianism serves an important role for farmers in providing a rationale for enduring the unendurable and providing a refuge from the realities of an otherwise humiliating economic situation (Flinn and Johnson 1974; Buttel and Flinn 1975, p136; Craig and Phillips 1983, p416). Australian writers Share et al argue

Our knowledge of rural fundamentalist ideologies suggests that [farmers] may interpret their misfortune as character building and confirmation of how different (and superior) country life is to that of the city. (Share et al. 1991)

A further characteristic of agrarianism is a deep suspicion and distrust of urban interests. As Graham describes it, "the city became the antithesis of the rural utopia" (Graham 1966, p40). Richmond similarly writes of "ideas of deliberate malevolence on the part of urban interests" (Richmond 1978, p102), noting that urban interests are "often seen as a conspiracy, endeavouring to drain the vitality from the farms and siphon their riches into the city" (Richmond 1978, p102). From this perspective, city people are also regarded as largely unsympathetic to the plight of the farmer. Marshall

argues that "[t]he other side of the belief in the importance of rural industry is that its uniqueness and value are not appreciated by city based interests who attempt to deny the producer his just reward". (Marshall 1985, p24) The level of response to campaigns such as Farm Hand would suggest that urban Australians are more sympathetic to farmers than this implies, although some urban writers have reinforced this perception with quite hostile interpretations of farm life. In an article provocatively titled "The Great Rural Bludge", Buckley describes agrarianism as follows:

In GODZONE, these [farmers and graziers] are the people who are most convinced that they are the chosen and that if God fails them temporarily by sending drought or glutted markets, then the rest of the population owes them not merely a living but maintenance of their capital assets. (Buckley 1972, p71)

He goes on to suggest that "the decline of the rural sector represents one of the best prospects for Australia's future" (Buckley 1972, p77).

Verrall et al suggest that the "rural-urban cleavage" is "an essential and key notion in understanding Australian politics" (Verrall et al. 1985, p8). The Country Party has its roots in this urban-rural divide and as Jaensch has argued, "the continued existence of that party ... has played an important role in maintaining the cleavage..." (Jaensch 1997, p308). This divide allows for the apparently contradictory position of the National Party and its supporters of seeking subsidies and other assistance measures for farmers while at the same time condemning urban welfare recipients (Lawrence et al. 1992; Stayner 1998). This particular view is not unique to Australian farmers. Naples identified this perspective in her work in the United States:

Agrarian ideology extols the virtues of the family farm which inadvertently contributes to a contradictory perspective on government transfer payments, one that differentiates the role of government support to farmers from that to the nonfarming rural poor. While most residents interviewed felt that farm subsidies were a necessary, albeit unfortunate means towards a vibrant rural economy, many did not approve of public assistance to low-income nonfarming residents. (Naples 1994, p119)

Agrarianism also ensures that urban-based policy makers are treated with suspicion, particularly if they do not have a rural background. As noted above, city people are not seen as understanding the special nature of rural problems. In addition, farmers tend to be distrustful of experts. As Flinn and Johnson report

Within agrarian belief there is pride, a certain nobility, in what man accomplishes by the sweat of his brow. There is suspicion about a man who makes a living by using his head and not his hands.(Flinn and Johnson 1974, p194)

It is important to understand how the key tenets of the ideology inform farmers' behaviour and their responses to government policies. Policy makers have been aware of the reluctance of farmers to access support through government welfare departments, although ABARE research suggests that this aversion to seeking welfare assistance is overstated (Garnaut et al. 1997, p51). As noted, farmers and their representatives have had a "tendency to stigmatise 'welfare' recipients" (Stayner 1998, p4) as part of their agrarianism and this is reflected in their approach to seeking support when in difficulty. For example, the Senate Standing Committee on Rural and Regional Affairs reported:

Time and again, the Committee was told by members of this important section of the Australian community that they do not want handouts, they want to be self-reliant but must be given the opportunity to prepare for drought. (Senate Standing Committee on Rural and Regional Affairs 1992, p vi)

This approach reflects the fact that "[t]he farm-family way of life is believed to be tinged by hardship and by costs of isolation, by toil and effort of farm operation and development, and by the wrath and perversities of nature" (Mauldon and Schapper 1974, p113).

The apparent inconsistencies of agrarianism can also be illuminated by Marxist-oriented scholars who analyse the class position of the small family

farmer in advanced capitalist economies. As owners of capital but also dependent on their own labour for an income, small family farmers are in a "contradictory" class location (Goss et al. 1980, p119; Mooney 1988, p260). While Vogeler describes this position as "protoproletariat" — "having characteristics of both the capitalists and the proletariat" (Vogeler 1981, p281) — most Marxist-oriented writers consider the family farmer to be a member of the petty bourgeoisie (Davis 1980; de Janvry 1980; Conway 1981). Vogeler explains that "[e]ven though family farmers work their own land, they are manipulated by agribusiness through its control of processing, storage facilities, transportation, and finance capital" (Vogeler 1981, p291). In the Australian context, Lawrence has observed that

the so-called simple commodity producers are, in fact, virtually totally reliant upon the upstream agribusiness firms for inputs and have become increasingly linked to the downstream firms which purchase their output (the farmer's independence therefore being something of a myth); ... the integration of family farming in such a manner allows for the appropriation of economic surplus by monopoly capital. (Lawrence 1987, p132)

This increasing "proletarianisation" of family farmers has not resulted however in a rejection of the conservative political parties in Australia. If anything, it has strengthened their anti-labour position (Lawrence 1987, p168). In terms of political allegiances, this continued support for the coalition has been facilitated by the existence of the National Party. In this, the Australian farmer has an advantage over his/her US counterpart in that the National Party was established specifically to represent farm interests. By contrast, the US farmer's vote is not guaranteed to either side as they "cannot find their fundamental interests to be comprehensively included in the agenda of either major party" (Mooney 1988, p260).

### **Striking the balance**

Between 1989 and 1998 rural policy in Australia was largely guided by the principles of economic liberalism. At the same time, many Australian

farmers continued to demonstrate an attachment to "countrymindedness". In attempting to influence farmers' behaviour, policy makers often missed their mark because the values underpinning these two world views are quite different. Where economists measure value in terms of the market, seeking to maximise productivity and efficiency, the agrarian philosophy emphasises farming as a way of life. Policy makers focusing on economic solutions respect and seek out the views of experts while farmers are suspicious of expertise.

One of the roles of policy makers in a democracy is to strike the balance between conflicting values (Doern and Phidd 1983, p57). However the problem with the contradictions between economic liberalism and agrarianism is that the policy makers, rather than mediating between the mix of values in the community, are themselves largely captives of one of the competing approaches. This limits their capacity to address issues creatively and to give full consideration to all factors determining farmer behaviour. This leads agricultural economists to "become frustrated by the apparently intractable propensity of farmers and others to act in ways contrary to those which economic models of human behaviour prescribe for them" (Newby 1982, p126). Policy makers define problems within their own paradigm — in the case of farm poverty focusing on the pace of structural adjustment within farming — and policy responses are developed accordingly. As has been outlined in the case study, these responses have been formulated in terms of market-based incentives to influence farmers' behaviour. If farmers are guided by a different set of values they are less likely to respond as predicted by policy-makers. There is clearly a need for all relevant values to be considered in the policy process.



A strong attachment to farming as a way of life means that farmers are not simply seeking to maximise the returns on their capital investment when they engage in the farm enterprise. Vincent refers to the "psychic income" obtained through work, suggesting that this is particularly high in farming. He argues that

A disregard for the existence of psychic income in farming by policy makers could result in specification of welfare problems which may not exist, or an incorrect specification of the magnitude of these problems, and the formulation of quite unsuccessful policy measures, such as the original rehabilitation and retraining aspect of the rural reconstruction scheme. (Vincent 1976, p111)

The conflict between economics and agrarianism is a good example of what Linder describes as the tension between "hard" and "soft" values. He explains:

One of the more insightful maxims of contemporary policy analysis holds that "hard values tend to drive out soft ones". In this context, "hard values" are those which are tangible and whose realization can be measured with some precision; by and large, they tend to be economic or technological and thus translatable into physical units. "Soft values", on the other hand, are predominantly intangible and non-instrumental. (Linder 1986, p282)

The challenge for policy makers is to incorporate consideration of soft values into their policy development process, particularly if the measures under consideration are intended to influence human behaviour.

Although Wildavsky suggests that "[n]o-one can do analysis without becoming aware that moral considerations are integral to the enterprise" (Wildavsky 1979, p12), some critics have suggested that economists involved in developing policy in Australia have created an image of their discipline as a value-free, scientific endeavour and in so doing attempt to discount the views of their opponents as irrational (Rees 1994, p171). In describing the economist's role, Michael Keating suggests that

unlike discussions of other public-policy issues including freedom, justice and equality, theories of economic behaviour and their

underpinning assumptions do not imply any particular moral values, or that people have no other values. (Keating 1993, p59)

In a defence of economists, Brennan argues that economics

is concerned with the relation *between* means and ends rather than the appropriateness of those ends. On this reading, economics examines the consequences of alternative policies or alternative institutional arrangements in the light of policy *ends* that economics itself doesn't specify. (Brennan 1993, p5).

Sen describes this version of economics as an "engineering" approach which is "concerned with primarily logistic issues rather than with ultimate ends":

The ends are taken as fairly straightforwardly given, and the object of the exercise is to find the appropriate means to serve them. Human behaviour is typically seen as being based on simple and easily characterizable motives. (Sen 1987, p4)

This position does not recognise the existence of the assumptions about human behaviour which underpin the economic model. As Nelson points out

Many economists are uncomfortable with or reject outright the notion that at bottom their views also constitute an ideology. Nevertheless, any basic way of thinking about social issues rests on fundamental assumptions and values that involve some elements of faith. Economists have such a way of thinking and in this sense they can be said also to have an ideology. (Nelson 1987, p57)

An economist can be very effective as, to use Charles Schultze's term, a "partisan advocate for efficiency" (cited in Nelson 1987, p49). However, as Linder argues "in a pluralist society there is seldom an ethical consensus sufficient to justify the primacy of economic efficiency as an allocative norm independent of the political process" (Linder 1986, p284). If this is the case, the mix of values in public policy needs to be considered as a political issue — a theme taken up in the next chapter. The dominance of economic liberalism and the absence of an effective voice for the values of agrarianism within the policy process will also be considered in assessing the normative value of Lindblom's model of "muddling through".

## CHAPTER NINE: MUDDLING THROUGH

Between 1989 and 1998, successive Australian governments introduced a series of programs aimed at addressing inadequate incomes among farmers. These programs were developed in the context of a powerful economic ideology which saw the questions of farm poverty treated, not as a welfare issue but as a part of rural structural adjustment policy. The frequency of the amendments to the programs, not to mention regular name changes, and the complexity of many of them suggests that policy makers were struggling to develop a sound, workable and equitable response to the needs of poor farmers. It is instructive to ask how the policy process itself contributed to the muddle of government policies in this sensitive area of rural policy development. This chapter draws on the framework developed by Charles Lindblom to reconsider the policy process and in so doing raises some issues with the model itself. To this point, this thesis has referred to Lindblom's model in an attempt to identify possible flaws in the policy process. This model was chosen because of the close approximation between Lindblom's description of disjointed incrementalism and the way in which rural policy was developed in the period under review. Having accepted the descriptive value of "muddling through", this chapter now turns to the normative element of this policy approach.

Lindblom's model is not simply descriptive. It is also prescriptive, arguing that the process outlined results in the best policy outcomes, particularly when compared with the utopian and unobtainable synoptic approach to policy analysis. Overall, Lindblom's description of the policy process remains convincing, however the normative value of the model has been questioned (Dror 1964; Dror 1967; Etzioni 1967; Lowi 1979; Burch and Wood 1983).

The three features of Lindblom's approach which are raised here are the ability of the process of partisan mutual adjustment to encompass a broad sweep of ideas, the role of watchdogs in the policy process, and the interaction between means and ends in policy development. It is argued that the strength of economic liberalism in the Australian policy process has undermined incrementalism as a means for achieving good policy and as a result an alternative approach is needed if community goals for rural Australia are to be achieved. Following James Walter (Walter 1996), this chapter calls for the reintroduction of politics into rural policy to debate the ends of structural adjustment policy and determine clear goals for Australian agriculture.

### **Incrementalism**

While incrementalism is recognised by many writers as the way in which real world policy makers undertake their tasks due to resource limitations and other constraints, there has been considerable debate over the model's normative value. Chief among the criticisms is that the model "offers a "scientific" rationalization for inertia and conservatism" (Dror 1968, p145). Weiss and Woodhouse summarise the common criticisms of incrementalism as:

1. Insufficiently proactive, goal oriented and ambitious;
2. Excessively conservative, because increments are small and bargaining favours organized elites;
3. Useful in too limited a range of decision contexts; and
4. Too hostile to analysis. (Weiss and Woodhouse 1992, p258)

In their article, Weiss and Woodhouse defend incrementalism against these claims but much of their defence rests on suggesting that alternative approaches to policy making would fare little better. For example, in response to the criticism that incrementalism does not catch "threshold or sleeper effects", the authors write

The interesting question is whether sleeper effects and other unanticipated consequences are more likely to be caught by the strategic analysis and serial action that is feasible, or by doomed attempts at comprehensiveness. (Weiss and Woodhouse 1992, p265)

Their response to the question of incrementalism's capacity to cope with crises is similar (Weiss and Woodhouse 1992, p263). They do not really address the value of Lindblom's model as a prescription for good policy making, rather they call for a rethink of incrementalism to address what they see as the key questions raised by Lindblom:

How do political participants and policy professionals cope with uncertainty? What strategies of decision would allow them to do it better? What institutional arrangements actually and potentially are available to promote the skilled and fair use of strategic analysis and action, including but by no means limited to disjointed incrementalism? (Weiss and Woodhouse 1992, p270)

These are fair questions. However, as Smith and May point out, "quite different frameworks may be required for explanatory and normative discussions" of the decision making process. Criticisms of synoptic models tend to be based on "*That is not the way things are*", while critics of incrementalism tend to focus on "*That is not the way things should be*" (Smith and May 1993, p205 — italics in original). While the preceding chapters have illustrated the value of incrementalism as an explanation of the policy process, they have also highlighted that this process does not necessarily produce satisfactory outcomes.

Dror argued that there are "three essential conditions" which must be met for incrementalism to produce the best policy outcome. These are:

*(1) the results of present policies must be in the main satisfactory (to the policy makers and the social strata on which they depend), so that marginal changes are sufficient for achieving an acceptable rate of improvements in policy-results; (2) there must be a high degree of continuity in the nature of the problems; (3) there must be a high degree of continuity in the available means for dealing with problems.* (Dror 1964, p154 — italics in original)

Responses to farm poverty clearly fail the first of these criteria. The large number of reviews of government policy in this area over the decade from 1989 illustrates the dissatisfaction in many quarters with the direction and impact of Government programs. While there was certainly continuity in the nature of farm poverty, policy responses consistently avoided addressing the core issues, arguably satisfying the third of Dror's conditions while simultaneously ensuring the failure to meet the first. Kingdon suggests that, while incrementalism is useful in explaining the generation of policy alternatives, it does not explain agenda change. He argues that "agendas exhibit a great deal of nonincremental change" (Kingdon 1995, pp82-83). Farm poverty has tended to be treated as a secondary concern arising from structural adjustment policies. The drought of the 1990s moved farm poverty on to the public agenda for a short while, with the assistance of the Farm Hand appeal, but in general, it has not been a high priority concern of Australian governments. Forester can see problems with both the synoptic model and incrementalism as normative approaches to policy development: "[w]hile the rational-comprehensive formulation may reach for the sky, the boundedly rational and incremental formulations may tie our hands" (Forester 1984). While accepting that "we are creatures of limited ability, and grand overall optimization is beyond our powers", Arrow expresses concern about the limitations that incrementalism places on policy imagination. He sees value in the high standard set by the synoptic ideal, arguing that

the unattainable goal of the well-defined complete decision structure provides a better spur for clear and difficult thinking by the social scientist than [sic] does a complacent acceptance of our imperfections. (Arrow 1964, p587)

Etzioni rejects both models, proposing an alternative which he describes as "less utopian in its assumptions" than rationalistic models of decision

making and less "conservative" than incrementalism as proposed by Lindblom (Etzioni 1967, p385). In his "Mixed-Scanning" approach, some sectors are subjected to detailed examination while others are given a more "truncated" review. Etzioni explains his proposal as follows:

A mixed-scanning strategy would include ... two cameras: a broad-angle camera that would cover all parts of the sky but not in great detail, and a second one which would zero in on those areas revealed by the first camera to require a more in-depth examination. (Etzioni 1967, p389).

This strategy distinguishes between "fundamental" and "incremental" decisions although it is not clear how the two can be differentiated (Ham and Hill 1993, p91). For example, the decision to remove drought from the NDRA in 1989 had the effect in the DPIE portfolio of a fundamental decision, in that it initiated a change in the whole philosophy underpinning drought support for farmers. Its originating Department, the Department of Finance, is more likely to have seen the change as an incremental improvement in the operation of an existing scheme.

Overall, the incremental approach to policy development in the area of farm income support resulted in a series of largely unsatisfactory policies which were subject to frequent amendment. Incrementalism alone therefore does not appear to be a useful normative model for policy design in this area.

### **Diversity of Values**

Lindblom suggests that incremental policy development produces better outcomes than attempts at synopsis because of the involvement of a multiplicity of decision makers in the process. Through partisan mutual adjustment, "intelligent" policy is produced because the process allows for the airing of a diversity of views. Lindblom himself points out that "*the more widely shared a value, interest, or preference, the heavier its weight in partisan mutual adjustment*" (Lindblom 1965, p242 — italics in original). He

also raises the issue of "like-mindedness among government administrators" (Lindblom 1959, p88), suggesting that in order to address complex problems, administrators will want diversity among their own personnel. This diversity would be in terms of policy backgrounds and professional or personal values, "so that, even within a single agency, decision-making can be fragmented and parts of the agency can serve as watchdogs for other parts" (Lindblom 1959). In spite of its flaws, Pusey's research did highlight the lack of such diversity and the strength of the economics profession within public service agencies in Australia. The relative weight given to economics in the policy process was not news to anyone who had worked in policy development in the public service over the course of the 1980s and 1990s.

When considering responses to farm poverty during the period under review, such diversity was virtually non-existent in policy circles in Australia. As has been outlined above, the policy debate was driven almost exclusively by economic liberalism and there were few dissenting voices. As Painter has pointed out, in Australia "[m]arket liberalism is now more or less embedded within élite political and bureaucratic circles". He argues that "[c]ore features of Australia's institutional arrangements seriously truncate and limit the potential for an influential, constructive and critical public debate on policy issues" (Painter 1996, p297). Without that debate, the policy process fails to deliver the diversity of views required by Lindblom's model. In later work with Woodhouse, Lindblom recognised this shortcoming in the pluralist approach, arguing that "[t]here rarely is *enough* diversity in democratic political systems as presently set up, and some issues are badly neglected year after year..." (Lindblom and Woodhouse 1993, p31).



## Watchdogs

In their recent defence of Lindblom's model, Weiss and Woodhouse addressed the issue of unequal representation in the policy process. They agreed that

there is something of a rigged competition in which business and other well-organized interests win disproportionately, a serious deficiency in contemporary process that Lindblom along with many other scholars in the 1950s and 1960s under-estimated or underreported. (Weiss and Woodhouse 1992, p262)

Within rural policy, farm representatives may be seen to "win disproportionately" when it comes to deregulation and policy changes which benefit the more successful farmer. As has been discussed, the interests of the tail of the industry are not so well represented.

Weiss and Woodhouse do not see this representational imbalance as a failing of incrementalism. They argue

it is not clear what bearing this has on disjointed incrementalism, for these would be obstacles to marshalling political resources behind any change-oriented strategy. Hence, it is the socio-political power structure that favours organized elites, not incrementalism or any other decision strategy. (Weiss and Woodhouse 1992, p262)

The problem with this point is that it acknowledges the strength of Lindblom's analysis — the descriptive power of incrementalism — but does not address the element of his work which probably has generated the most debate — incrementalism as a normative model of decision making. Simply arguing that any decision strategy would face the problem does not justify accepting Lindblom's model as the ideal approach.

As has been illustrated, in the period under review there were no clear, vocal groups representing the interests of farmers in poverty. Within government, the Department of Primary Industries and Energy rather reluctantly handled issues of farm poverty as part of its structural adjustment programs aimed at developing a more competitive and sustainable farm

sector. As has been discussed, the policy framework within which officials were operating was not conducive to considering welfare issues other than in the context of the broader portfolio objective. The Social Security portfolio was unwilling or unable to make the adjustments to its generalist approach required to respond to the needs of a relatively small group of self-employed farmers who were often income-poor but asset-rich. The watchdogs that Lindblom would expect to exist within government agencies were largely hamstrung by other portfolio objectives and of limited effectiveness in representing poor farmers. Beyond DPIE there was little interest either from the Department of Social Security or the central agencies.

Among interest groups, the story is little better. While farmers are very effectively represented by the National Farmers' Federation (NFF) on a wide range of policy issues from trade to the environment, the organisation has not been active on farm welfare issues. Speeches by senior officials and office-bearers within the NFF focus very heavily on trade liberalisation, industrial relations reform and tax reform. The few references there are to social issues are limited to access to Austudy support for farm children to obtain a tertiary education and improved service delivery, such as increased numbers of general practitioners (for example Craik 1998; Donges 1998b). Poverty and the issue of income support are not mentioned. In response to pressure from members, the NSW Farmers' Association has raised its profile in this area in recent years and the NFF has moved some way. It is interesting to note that, although the assets test is a key obstacle to farmers' obtaining standard social security support, the literature on the introduction of the assets test in the early 1980s contains no reference to any lobbying activity by farm groups on this issue (eg Marsh 1985). As Dahl notes, "[o]rganizations...are not merely relay stations that

receive and send signals from their members about their interests. Organizations amplify the signals and generate new ones" (Dahl 1982, p44). Not all members' interests are picked up by their representative organisations.

Smaller rural community representatives, such as the Isolated Children's Parents Association and church groups were active during the drought. However, in general, these groups are not established members of the Canberra policy community and therefore are not plugged into the policy making process on a regular basis or during the crucial development phase. Welfare groups such as the Australian Council of Social Service (ACOSS) have also only very recently moved to look at rural issues. The NSW Council of Social Service now has a Rural Policy Advisory Group but the Council is not a high profile player on farm poverty. In the period under review, ACOSS did no significant lobbying on farm poverty (ACOSS 2000) although some of its constituent organisations, such as Lifeline, made representations to the Commonwealth Minister.

The political parties also gave little attention to issues of farm poverty. The Labor government responded generously in financial terms when the drought put the issue on the agenda in the early 1990s but the ALP is an improbable advocate for poor farmers. Its union connections and urban focus make it anathema to farmers, particularly those with strong agrarian tendencies. As has been demonstrated, the policies introduced by the Coalition government were only incrementally different from Labor government policies and the strong influence of economic liberalism within the Liberal Party will ensure that the emphasis on structural adjustment in agriculture will continue.

In the area of farm poverty, therefore, there were no effective watchdogs — either within the bureaucracy, among the interest groups or within the political parties. In his later work, Lindblom has acknowledged the limitations of partisan mutual adjustment in achieving both multiplicity of views and an effective system of policy watchdogs. A more serious criticism of his model as a normative guide to policy making relates to Lindblom's treatment of means and ends.

### **Means-ends**

Lindblom's model of the policy process rejects the rational-comprehensive requirement that ends be determined and then the best means for achieving these objectives selected. Lindblom's position is that means and ends do not need to be distinct and that, in fact, the two are determined concurrently (Lindblom 1959, p83). In theory, this approach has its appeal and Lindblom provides examples of issues on which different parties agree to the same policy outcomes for different reasons. However, what this model does not address is that the policy means selected can imply particular ends and in the absence of a debate over these ends can result in policy outcomes which may not be desirable. Although a focus on policy means can avoid "unnecessary controversy" over policy objectives (Lindblom 1959, 84), it also gives considerable power to those who determine the policy means. In Lindblom's model, this problem is avoided by the participation of watchdogs in the system representing a diversity of values.

As has been outlined in the preceding chapters, over recent decades the key policy players on rural policy in Australia have been driven by economic liberalism. This common world view, which is focused on means rather than ends, has deprived the Australian policy process of the ability to

encompass a comprehensive range of values — for example, no partisan has been promoting the values inherent in agrarianism. Brennan makes the point that economics is not intended to determine policy objectives (Brennan 1993, p5). Economics provides the tools to determine the most efficient means for attaining particular goals. The problem with policy development in Canberra in recent years is that this distinction appears to have been lost. Policy makers have focused on economic factors to the exclusion of the ends of the policy process (Walter 1996). As Etzioni has pointed out, “[t]o be efficient may be only as good as the goals that are efficiently implemented. We cannot escape judging goals...” and “rationality is not an ultimate value; it is desirable to act efficiently — but only in pursuit of worthy ends” (Etzioni 1988, pp138-139).

Lindblom himself was wary of relying purely on economics:

Only in relatively restricted areas does economic theory achieve sufficient precision to go far in resolving policy questions: its helpfulness in policy-making is always so limited that it requires supplementation through comparative analysis. (Lindblom 1959, p87)

Over twenty years later, he voiced much more explicit concerns about the role of the market, characterising it as a “prison” which crippled popular control of the policy agenda through its capacity to punish decisions unfavourable to business by reducing investment and increasing unemployment. Lindblom argued that as a consequence of this mechanism

We have come not to think of human need and aspiration but of the market system as the fixed element in the light of which we think about policy. We find it difficult to think about the market as the variable. (Lindblom 1982)

So what does this tendency mean for rural policy in general and farm poverty in particular? As Geoffrey Lawrence argues in *Capitalism and the Countryside*, the economic policies which have been pursued by Australian governments, both Coalition and ALP, in recent years, and endorsed by the

National Farmers' Federation, have been directed at supporting and encouraging corporate and larger-than-family farming enterprises. Lawrence argues that "[c]urrent policies will lead to greater control by agribusiness and the erosion of family farming" (Lawrence 1987, p261). He suggests that

The liberal economic paradigm defines the problems of agriculture in a particular way — one consistent with the assumptions and world view embedded within that paradigm. The solutions formed as a logical outcome of the paradigm are failing to address many of the major problems confronting family farmers. (Lawrence 1987, p307)

Prior to Federation, Australian colonial governments took a series of decisions to replace extensive, capitalist agriculture in the form of squatting with more intensive settlement of the land. Driven by images of rearing "a staunch and honest race of independent yeomen" (Williams 1975, p74), closer settlement policies were followed by the ill-fated soldier settlement schemes. Writing in 1975, Williams points out that

The years from 1920 to the late 1960s have been spent in attempts to perpetuate and justify that heavy and powerful legacy from the past, that more people are needed on the land in Australia rather than less. (Williams 1975, p99)

The structural adjustment policies of the 1980s and 1990s have effectively reversed this trend. This may be the solution to developing an agricultural industry in Australia which can compete in increasingly competitive international markets. However it is of great concern that such a fundamental shift in direction has occurred with little or no public debate and with the acquiescence of the interest groups and political parties which purport to represent the interests of Australia's family farmers.

This shift has occurred incrementally with all partisans involved in the process basically agreeing with the policies being pursued — in essence the policies have been developed through a process of "muddling through". The result of these policies has been greater economic efficiency in

agriculture. However as argued above, efficiency alone cannot be a final policy objective. In early work with Dahl, Lindblom distinguished between "prime" and "instrumental" goals:

A prime goal when attained is a direct source of satisfaction in itself; an instrumental goal, as the name implies, has value only because it facilitates the attainment of one or more prime goals. (Dahl and Lindblom 1953, p26)

Efficiency, competition, and structural adjustment are all instrumental goals and economics provides policy makers with the tools for achieving them. However, in order to pursue the correct instrumental goals, society's prime goals need to be debated. As Walter observes, "the greatest problem is that once we abandon politics for economics, we abandon the capacity to imagine new solutions" (Walter 1996, p52). The problem with pursuing economic liberalism in the absence of politics as Walter describes it is that liberal economics is not a value-free scientific discipline. As Emy and Hughes have observed:

The more the language and calculations of economic rationality predominate in official policy circles, the more one may wonder about the type of 'rational society' which is being favoured or created. This is not to say that economic rationalism is inherently bad, nor to deny its evident applicability in a time of rising economic scarcity. The problem, as with the economic theory of the market itself, is that there is a good deal more to it than meets the eye. It is a particular type of thinking which focuses on means-end relationships, where the ends are either assumed or are limited to those which seem 'obvious' to those with, primarily, economic training. (Emy and Hughes 1991, p570)

With respect to rural adjustment policies, it is suggested that the ends are not obvious to many farmers and those in the broader community with an interest in rural Australia. In the absence of a political debate over the future shape of agriculture, the future foreseen by Geoffrey Lawrence of corporate farming dominated by agribusiness may be coming, ready or not.

The agrarianism which is still apparent among many farmers is not consistent with the ideal of the rational economic agent who is driven by the

profit motive and who will move between economic activities in response to market signals. The result is that in many cases farmers place much higher value on the non-economic elements of their lifestyle and will tolerate often considerable hardship to remain in farming. The importance of sentiment in understanding farmers' motivations to continue farming under adverse conditions is completely missed by a strand of theory which attempts to treat people as rational, utility-maximising players and fails to account for their "irrational" qualities.

### Conclusion

Lindblom's concept of the policy making process as a kind of inspired "muddling through" has attracted debate and discussion for nearly half a century. The case study outlined in this thesis once again confirms the accuracy of his model as a description of how policy is made in the real world. From 1989 to 1998, policy makers grappled with farm poverty and developed a series of responses each differing only at the margin from the program before.

However, Lindblom not only presented his model as a description of how policy is really made, he also argued that this approach "will be superior to any other decision-making method available for complex problems in many circumstances, certainly superior to a futile attempt at superhuman comprehensiveness" (Lindblom 1959, p88). Lindblom argues that "big step" policies are likely to fail as "too many conflicting interests pull them apart" (Lindblom 1979, p521). With Braybrooke, he went so far as to argue that "[p]olitical democracy is often greatly endangered by nonincremental change, which it can accommodate only in certain limited circumstances" (Braybrooke and Lindblom 1963, p73).



This case study exposes three key problems with Lindblom's approach as a prescriptive model. Firstly, although this criticism is not new, it needs to be pointed out that the system of watchdogs does not necessarily result in effective representation of all interests. As has been shown, there were no effective watchdogs in the system interested in pursuing the interests of poor farmers independent of the prevailing economic paradigm — for example there were no voices for the non-economic characteristics of farming. Secondly, the expectation that a "multiplicity of views" will be present within the process of partisan mutual adjustment does not allow for the presence of a dominant idea of the type of economic liberalism. As Lindblom himself observed:

In a society in which most people believe that the whole and final truth has not yet been discovered there is such a thing as too much political agreement, too much conformity of preference, interest or value.... (Lindblom 1965, p287)

However, his model assumes that diversity of views will exist. Finally, in a policy environment dominated by economics, Lindblom's suggestion essentially that the process will look after the policy means and the ends will then make themselves known (Lindblom 1958, p308) leaves no room for politics in giving voice to community values and objectives.

The case study suggests that as the expertise available comes from an increasingly limited range of disciplines, or is dominated by one particular approach, Government policies can be inappropriate and/or ineffectual. Policies directed at encouraging farm adjustment, including exit, focused on the provision of economic incentives to farm families. This approach flies in the face of sociological evidence that it is the non-economic attributes of farm life, such as the perceived moral values of life on the land, which keep many families in the industry in spite of economic hardship. Wildavsky suggested that "[t]here must be a better way to delimit the domain of

applicability so that economics ... is not turned into politics or .... becomes a substitute for it" (Wildavsky 1979, p180). In analysing the shortcomings in Government responses to farm poverty, consideration of the dominant idea needs to be accompanied by an examination of "non-rational" motivators such as emotion or sentiment. One of the key problems with the policies which have been developed to encourage marginal farmers to exit agriculture has been the inappropriateness of the incentives offered. In summary, farmers see these issues differently.

Agrarianism remains very strong in rural Australia. This perception that life on the land is wholesome, pure, moral and inherently superior to life in the city has been accompanied by a self-image of the rugged, self-reliant individual, a factor which has often inhibited those in need from seeking welfare support. The following provides an example of the special virtues farmers attribute to themselves and their way of life. In a letter to the Editor of *The Land* during the drought of the early 1990s, Mr Angus McNeil wrote:

Farmers, unlike many other Australians, do not like having to accept handouts and would prefer to stand on their own feet, drought or no drought. (McNeil 1994)

The almost belligerent anti-urban tone is an example of a philosophy of agrarianism which includes a perception that "city life is both artificial and evil" (Flinn and Johnson 1974, p190). The values encompassed by agrarianism have not been protected or promoted in the policy development process in Australia.

Lindblom described incrementalism's appeal as follows:

Its hold on the citizens of the most stable democracies is attributable to many factors, among which I mention three: (a) widespread consensus on fundamental values, (b) frequent widespread agreement on the general direction and character of social changes, (c) relatively greater confidence in the predictability of consequences

of incremental as against drastic social change. (Lindblom 1958, p301).

It is arguable that these conditions did not hold in Australia at the end of the 20<sup>th</sup> century. Towards the end of the period under review, Pauline Hanson's One Nation Party shook the major political parties in Australia. Although the NFF maintains that the majority of Ms Hanson's electoral success has come from non-farm rural people (Craik 1998), it appears that struggling family farmers have been among her supporters (Kingston 1999a, pers comm). This is not surprising as much of Ms Hanson's rhetoric was pitched at the emotional level.

The rise of Pauline Hanson and ongoing debates within the National Party about issues such as competition policy and the privatisation of Telstra suggest that there is not widespread agreement on the direction of social change. It is hard to determine whether agreement exists on fundamental values as these have been squeezed out of the policy debate in recent years by the almost exclusive focus on economics. The recent trend in voting in rural and regional areas may force political parties to reassess their purely economic approach to policy and respond to the views and frustrations that Ms Hanson appeared to unleash.

Lindblom does not reject "big picture" policy debate. While acknowledging that incremental analysis "encourages us all to think small, timidly, conservatively about social change", he argues

the corrective is not the suppression or neglect of incremental analysis, which remains necessary and useful ... but the supplementation of incremental analysis by broad-ranging, often highly speculative, and sometimes utopian thinking about directions and possible features [sic], near and far in time. (Lindblom 1979, p522)

This is important. However, as Adams notes, although "Lindblom points out that long-run considerations need not be omitted" from the policy process "it is a point that he gives little attention to" (Adams 1979, p548).

Etzioni's call for the employment of a more encompassing "socio-economics" as a basis for policy development may be another useful starting point (Etzioni 1988). He argues for a recognition of the complexity of social issues:

Typically, we deal with a complex and changing world and need to apply more than one set of specialized variables; decision makers as a rule need to deal with all the relevant factors that account for a significant portion of the variance, as well as with the result of their interactions, disregarding the disciplinary compartments to which variables that characterize the phenomenon belong. Otherwise, the variables ignored will come to haunt the actors, as is the case when the psychic implications, or the social, cultural, and political prerequisites of economic policy are ignored. (Etzioni 1988, p124).

As an alternative to "muddling through", policy makers may need to invest some time in what Dror has characterised as "metapolicymaking" (Dror 1968) — debating how they go about their tasks. If an effective response to farm poverty is to be developed, policy must not be treated as a technocratic exercise which excludes intangibles such as community values and aspirations.

## CHAPTER TEN: CONCLUSION

Farm poverty is a difficult issue for policy-makers. It is hard to measure and it raises a number of important questions about policy objectives, including equity and efficiency. Low incomes among farmers are brought about by several factors. The cause can be structural, relating to inadequate resources or changing market conditions, or temporary, resulting from sudden drops in commodity prices, or from the impact of natural phenomena such as droughts or floods.

The first question which confronts the policy maker is whether government assistance should be provided at all. In the case of structural poverty, it can be argued that the economically rational course of action for poor farmers is to leave farming and invest their capital in an activity that produces higher returns. Where poverty is temporary, farmers could be called on to manage the risk of low income years — after all a variable climate and unreliable commodity markets are not unusual. The situation is not so clear cut, however. In the case of structural poverty, many of the conditions leading to farmers having inadequate incomes were the result of government policies in the first place. The soldier settlement schemes created undersized farms which are now struggling to be viable. Similarly "get big or get out" policies combined with high interest rates have resulted in many farmers coping with very high debt levels. Attempts to improve farmers' risk management skills require a series of good seasons in which the farm can generate sufficient income to accumulate the reserves required to cope with flood or drought. In the case of prolonged drought, many well prepared farmers can still find themselves in difficulty.

Aside from the specific issues related to farming as an occupation, there are questions of equity. Many farmers endure low incomes because they value

the non-economic features of living and working on the land. Whether the community should support this choice by providing income support in the lean years raises questions of equity with other occupational groups, such as artists, who also may not be able to make an economic living in their chosen profession. Because of the close relationship between the farm business and farm family, consideration also needs to be given to the potential for welfare support to operate as a subsidy for an otherwise unviable business.

As this thesis is being finalised in early 2001, poor farmers in Australia can apply to the Department of Family and Community Services for assistance through the Commonwealth Government's Farm Help program. This program provides re-establishment grants for farmers who choose to leave the industry and household support payments for a limited time while farmers in difficulty contemplate their futures on the land. Retraining support for farmers who take re-establishment grants is also available. If they are in an area declared to be experiencing exceptional circumstances they may be eligible for an exceptional circumstances relief payment. These options are remarkably similar to those facing a poor farmer in 1994 or, but for the exceptional circumstances relief payment, 1989. Although payments in 2001 are administered Centrelink, policy development remains with the agriculture portfolio.

### **The Policy Development Process**

Farm poverty is hard to define and measure as it is difficult to separate the farm family's household expenses from those of the business, and to account for the perquisites of farming, making comparison with wage and salary earners problematic. However, there is enough anecdotal evidence to suggest that there are farmers in Australia who are truly poor and to

whom the standard social security safety net is inaccessible. The question for policy makers is how these families should be helped.

The answer provided consistently over the past several decades has been to assist those with a long term future in farming to improve their productivity; and for those who are not viable, to provide an incentive for them to sell up and leave the land. This apparently simple answer is complicated in years of drought when the question of some form of disaster assistance is added to the picture. On the basis of this policy prescription, the appropriate government portfolio to handle farm poverty is agriculture. However, like any organisation, the Department of Agriculture, Fisheries and Forestry Australia, and its predecessor DPIE, have value structures appropriate to their core business which, to use Herbert Simon's term, bound the area of rationality within which policy options are considered. Policy alternatives across the Australian government in the 1980s and 1990s were bounded by the principles of economic liberalism. In the case of farm poverty, this meant that it was regarded as an economic problem related to industry adjustment and not a welfare issue to be considered in social justice terms. Within this economic framework, policy makers sought solutions which provided market incentives to poor farmers to take the decision to leave farming if the return on their capital was insufficient to provide the farm family with a reasonable income.

Between 1989 and 1998 a series of programs was introduced in an attempt to achieve this policy outcome. As has been demonstrated, policy has developed incrementally, with policy makers looking to improve on existing schemes rather than tackling the problem synoptically. This incremental process was partly the result of limited time and staff resources and also the desire to ensure that the transition between schemes was smooth.

Innovative suggestions such as Synapse Consulting's Option C for providing income support were not given serious consideration because staff resources were tied up on other projects. The social security portfolio showed little interest in the issue, leaving responsibility with a Department whose primary focus was industry development and the economic health of agriculture.

Charles Lindblom has argued that incremental policy development is preferable to any attempt at pursuing complete rationality in decision making. His model of policy development sees strategic disjointed incrementalism delivering superior policy outcomes because omissions are deliberate rather than accidental. To ensure that the outcomes are as comprehensive as possible, players in the policy process take on the role of watchdogs within the system, looking out for and protecting the values of different groups within society. The various partisans participating in the process bring a diversity of views to the policy debate and the test of good policy is that all players agree to the policy means, although they are not necessarily pursuing the same ends.

This thesis has attempted to demonstrate that poor farmers in Australia have not been well served by the policy process. Although the various programs have been developed incrementally, there have been no watchdogs effectively acting for this group of farmers. The National Farmers' Federation has been focused on the agricultural industry rather than the individuals within it and has generally supported the direction of government structural adjustment policy. The social welfare groups have shown no interest in the plight of poor farmers. At a bureaucratic level, the agriculture Department's primary focus, like the NFF's, has been on agriculture as an industry. Finally, at the political level, farmers' voting



patterns have tended to ensure that Labor governments have had difficulty in acting on their behalf and, as a junior partner in the coalition, the National Party's once strong influence in the area of farmers' incomes has faded in recent years.

The biggest obstacle to a more comprehensive consideration of farm poverty has been the dominance of a particular economic paradigm. There has been little scope within the public debate in Australia for alternatives to economic liberalism to be heard. The idea has been dominant in all sections of the policy community. There are several problems with the strength of this world view. In spite of the triumphalism of Francis Fukuyama (Fukuyama 1992) and to a certain extent Paul Kelly (Kelly 1994), it seems improbable that one economic theory can hold the solutions to the myriad complex problems that face human society. Like any other ideology, economic liberalism is based on a value system — in this case a highly individualistic, materialistic interpretation of human behaviour. However, it has created, largely successfully, an image for itself as politically neutral, instrumental and value-free.

By setting the parameters for policy development, economic liberalism has constrained policy makers from considering alternative values. As has been outlined, many family farmers do not respond "rationally" to market signals. Their reasons for remaining in farming are not related to return on capital but to intangibles such as quality of life, attachment to the land and, in many cases, family history — factors which are not captured in the economic model. Policy makers who fail to consider these issues when constructing incentives intended to influence farmers' behaviour are setting themselves up for failure.

At a broader level, the issue of means and ends in policy development requires greater attention. Acceptance of economic liberalism as value free has created a false sense of security — a perception that governments simply manage the economy and that there is no need for ideology or even politics as they are not making value judgments. The path set out by economic liberalism is likely to lead agriculture to increased domination by agribusiness and larger-than-family farms. Whether this is where the farming community, or indeed the broader Australian community wants to go has not been the subject of much debate. The impact of this trend on the viability of rural communities and on the environment has not been discussed with any vigour. Economics is a useful tool for identifying the most efficient means for arriving at particular ends — however, it should not be allowed also to determine those means by default.

### **Improving the Policy Process**

The pure rational-comprehensive model of policy making has largely been discredited by theorists on the basis that policy makers have neither the time, the resources nor the cognitive capacity to make decisions with a high degree of rationality. Charles Lindblom abandons the model completely and suggests that strategic policy making is the solution with a multiplicity of players bringing diverse views to the process thereby ensuring important values are represented.

The present study highlights some limitations to this approach, the most important of which is that the Lindblom model does not require the separation of means from ends. While the two are not always distinct and, as Simon points out are often part of a chain in which the ends of one portion of the hierarchy can provide the means for achieving a higher goal, there is clearly a need for policy to have some sense of direction. The

setting of values for a community is a political activity. It cannot be achieved by applying an economic model, unless the community is in agreement that efficiency should be the overriding consideration to the exclusion of equity, justice or any other value.

Farmers in Australia face particular challenges. They have been experiencing declining terms of trade for decades and increasing, often subsidy-based, international competition. In addition, they are subject to a highly variable climate with drought of some magnitude a common occurrence in many parts of the country. This thesis has not addressed issues of salinity and land degradation which are also putting pressure on both the land resource itself and on land management practices. In spite of these hardships, life on the land is valued by many farmers as a rewarding career choice and one which they would like to pass on to their children. The question for policy makers becomes to what extent an individual's lifestyle choice should be supported by the community. If the land is providing insufficient returns to avoid poverty, is there a moral obligation on taxpayers to provide income support or should farmers be encouraged to behave more rationally and give up their farms if they cannot make ends meet? If they do not respond to economic incentives, is it acceptable to let them "choose" poverty for themselves and their children? These questions can only be answered in light of community values — values that are not necessarily captured in the economic model.

### **The Way Forward**

So, what are the options for Australian agriculture? Geoffrey Lawrence and others have argued persuasively that the policy path we are pursuing is leading us to a future of corporate, or at the very least larger-than-family farming. Is this where we wish to be heading? What are the implications of

this type of agriculture for rural and regional communities and for environmental sustainability? If we are happy with this outcome, there may be few changes needed to rural policy settings.

Would we prefer an alternative future? The preservation of family farming as we have known it is likely to come with a price tag — in the face of declining terms of trade the smaller family farm will continue to face the probability of periods of inadequate income. If the community wishes to preserve this type of farming, are we prepared to set up some form of income support scheme for the bad years to ensure that Australian farm families are not living in poverty? These questions are beyond the scope of this thesis, however, it is argued that they need to be answered within the political arena. We need to recognise that we live in a society and not simply an economy and we must ensure that our policy debates take account of a diversity of value systems and perspectives.

Pusey has written that

Almost everything that happens in Canberra today is premised ... on the assumption that there is a hierarchical order of reality and causation that gives primacy to the economic system, and a second place to politics and the political system, and a third place to a residual view of society that is seen as some kind of stubbornly resisting sludge that variously inhibits and obstructs "the economy". (Pusey 1990)

This may be an overdrawn portrait of the policy process but it contains a degree of accuracy which is of concern. As this thesis has attempted to show, in the area of farm poverty this framework has resulted in complex and continually amended policies that have failed to deliver. As noted above, the 2000 review of the Farm Family Restart Scheme concluded that 79 per cent of farmers who took re-establishment grants would have left farming anyway and the vast majority of those receiving income support would not be induced to leave farming by the existence of such a grant.

Nevertheless, the Government extended the scheme in the 2000-2001 Budget.

The policy process has failed to encompass non-economic values in the consideration of farm poverty. Policy-makers have continued to muddle through, framing farm poverty as an adjustment issue and attempting to squeeze farmer behaviour into an ill-fitting economic model. Until all relevant values are considered in the policy process, and consideration is given to the ends as well as the means of achieving these values, a sensible response to farm poverty in Australia will remain elusive.

**INTERVIEWS****Australian Council of Social Service**

Telephone conversation 21 January 2000

**Centrelink**

Telephone conversations 17 January 2000 and 23 January 2001

**Dr Wendy Craik**

Executive Director, National Farmers' Federation 1996-2000  
Interview Canberra, 19 May 2000

**Rick Farley**

Former Executive Director, National Farmers' Federation  
Sydney, 29 February 2000

**Mitchell Hooke**

Executive Director, Australian Food and Grocery Council  
Formerly Executive Director Grains Council of Australia  
Interview Canberra, 17 May 2000

**Neil Inall**

Director Cox Inall Communications  
Rural broadcaster and commentator  
Inaugural Chair of the Rural Adjustment Scheme Advisory Council  
Interview Sydney, 10 March 1999

**The Hon John Kerin**

Minister for Primary Industry 1983 – 1987, Minister for Primary Industries  
and Energy 1987 – 1990  
Interview Canberra, 20 December 2000

**Dr Onko Kingma**

Assistant Secretary, Rural Policy Branch, Agriculture Fisheries and Forestry  
— Australia  
Interview Canberra, 4 February 1999

**Margo Kingston**

Journalist, Sydney Morning Herald,  
Interview Canberra October 1999

**Jack Lake**

Senior Adviser to Senator Bob Collins April 1990 - March 1996  
 Interview Canberra, 12 February 1999

**Ian Macfarlane MP**

Former President of Grains Council of Australia and member of the NFF  
 Executive  
 Interview Canberra, 5 April 2000

**Doug Miel**

Farm Hand Appeal Coordinator  
 Interview Canberra, 2 February 1999

**Gary Moore**

Director, NSW Council of Social Service  
 Interview Sydney, 14 May 2000

**Brian Ramsay**

Executive Officer, Pork Council of Australia,  
 Interviews Canberra, 3 March 2000 and 5 June 2000

**Dee Wilkes-Bowes**

Director — Rural Affairs, NSW Farmers' Association  
 Interview Sydney, 14 May 1999

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