Sustainability and the Social Contract with Australia's Country Towns:
Local Governance in Transition?
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Abstract

Sustainability has become a catch-cry across Australian local governments as they attempt to live within their means and create a desirable future for the people in the places they manage. Providing an equitable level of service across all communities is a goal of the Australian Federation with its various equalisation strategies for revenue sharing. This is the social contract reflected in our democracy and the system of government that supports it. Over the last few decades we have seen a fundamental shift in the way government works. They have embraced the idea of engaging third parties to work for them in much the same way households and businesses engage firms to provide specific services. In fact we have a whole regulatory regime to make sure that such brokering by government and business is fair and reasonable, with huge penalties for collusion. This 'New Public Management' (Hood 1989) as it is known assumes there is a market for government works and services and the neo-liberal, market-driven approach to economic and social policy underpinning it has had a profound effect on the way government works in this country.

The neo-liberal agenda has changed the cultural landscape of public sector management across Australia's system of government. Third parties now play key roles from research to strategic direction to service delivery to evaluation of government services. The distinction between the provision and production (Oakerson 1999) in local government is clear and the drive for economic efficiency has created lean council organisations now much less able to focus on particular locales and their needs as in earlier days of parochial local government. This is most pronounced in the larger regional councils now common place in Victoria and Queensland where councils of seven or nine members are responsible for communities with populations well into the tens of thousands or over a hundred thousand as with the Sunshine Coast Regional Council or where they cover very large areas such as in the Loddon Mallee region where ten councils are responsible for many different communities, in this case over 70 small towns. The way that these councils now operate under the neo-liberal, NPM culture excludes attention to individual citizens in regional cities with large populations (as in Queensland) and by passes small towns in those larger rural regional councils (as in north-western Victoria). It is ironic that this is now the case as advocates emphasise subsidiarity, building resilient communities, engaging in adaptive planning, and so on, all processes which acknowledge the role of social capital and a sense of place in sustaining communities. Local government councils are so focussed on the structure and function of delivering efficient services that they are now bereft of any real capacity of engaging with citizens, either in large urban communities or in dispersed rural places. Local governance, by local government, has, we believe, transited to a place where it is less relevant than it has ever been. Getting back to their communities will require a cultural shift on the same scale that occurred with the introduction of the NPM which has now effectively cuckold genuine local governance by local government.

In this paper we review NPM in Australian local government and argue the social contract is negated by large regional councils unable to provide services for the ongoing sustainability of the small rural towns in their jurisdiction using the Loddon Mallee region as a case study.

<u>Introduction</u>

It has now been 16 years since the Kennett Government began its sweeping reforms to the Victorian system of local government. Two major changes; the amalgamation of 216 councils into 78, and the requirement that at least 50% of a council's operating budget be subject to competitive tendering has, we will argue, radically changed local government in this state. While there was an attempt to undertake an evaluation of these reforms in the early days of the Bracks Labor Government in 1999, this was aborted by this new State Government who were acutely aware of the financial and political costs of any changes back to the old ways and the idea of evaluating these reforms has not been spoken of since. The Labor Government had come to power on the back of widespread community concern that the Kennett Liberal Government's reforms had gone too far. Bracks was mindful of not repeating the errors of the Cain and Curnow Labor governments, who were unable to institute such reform in the 1980s, while at the same time exercising responsible fiscal management.

In some councils across Victoria they have been able to cope with this new regime. They have a reasonable suburban rate base and can secure sufficient revenue to cover expenditure, including depreciating the cost of their assets. In other councils they are not so fortunate, typically in our rural shires where they have insufficient revenue for their basic needs, much less for meeting depreciation costs. It is in these rural shires where the Kennett reforms have failed. The Australian Labor Party has little support in these places and, over the last decade, there has been a poor policy response to the future of our rural places. The rhetoric and pork barrelling has been on regional Victoria, those cities such as Geelong, Bendigo, Ballarat, Wodonga (Albury actually), Traralgon, Mildura, Swan Hill, Wangaratta and Warrnambool. These regional cities and larger towns are drawing many of the services away from the small towns in their hinterland adding to the demise of these rural places. Regional cities that are sufficiently urban and non-agricultural have been won and held by the Labor Party. In addition to this political assessment of interest in our small rural towns another more insidious change has been occurring on the back of the reforms wrought by the Kennett Government. Our rural 'cities', once called shires, are now so large in area containing many small towns - the legacy of a settlement pattern reflecting a time with radically different mobility than today - ranging from seventy to several hundred people, many with a declining population, that they have simply been by-passed by councils centred in the regional towns. In this paper we will look at one such region, the Loddon Mallee in north western Victoria

The Loddon Mallee is divided into two sub-regions, Northern and Southern Loddon Mallee and both have strategic plans, which seek to strengthen their communities, including an emphasis on small towns. As we will see later in this paper these adjacent regions are facing quite different futures contrasting the plight of different regions across Victoria, and the nation. The critical question facing organisations like the Regional Development Australia (RDA) Loddon Mallee Committee is how to intervene in small towns in their region in ways which helps the sustainability of these places. We will come back to this question at the end of the paper after identifying small towns in the Loddon Mallee region and considering what is a reasonable 'social contract' between these places and central government (we include all levels of government in the Australian federation).

<u>New Public Management</u>

Our observation working across regional Australia is that all levels of government in our federation have centralising tendencies. This phenomenon has more to do with the development of programs based on neoliberal economic principles rather than any ideological motive or predetermined

strategy by officials to centralise. Political demands for efficiency under New Public Management (Hood 1991) – the managerial strategy based on neoliberal economic principles – leads to monopolistic behaviour by government. Like capitalism in the private sector - where the game is to consume you competitors and grow larger – consolidation of structures and programs in the public sector has been occurring in Australia over the last two decades. Officials operating under such managerial values are challenged by the requirement to develop universal policy prescriptions for people and places in their jurisdiction. To do anything other than this gives rise to accusations of nepotism and corruption. Ironically, local governments, which typically include numerous small towns in their jurisdiction, have also adopted the practice of NPM and we observe their centralising tendencies, as they are required - like the states and the Federal Government - to govern fairly across all places, which means the application of universal principles and policies. When we consider there are over 70 towns across the ten local governments in the Loddon Mallee region we can appreciate the challenge these authorities have in providing relevant services to places that have different histories and are usually on different sustainability journeys.

In developing a theoretical perspective on the role of central government in the governance of rural communities Shucksmith asks "what is the role of the state in promoting sustainable rural communities?" (Shucksmith, 2009, p. 1). He suggests that there has been a shift from a policy focus on integrated rural development to one of "place shaping" in which the governance of rural communities has become the predominant paradigm. Herbert-Cheshire (2000, p. 203) refers to these as the discourses of self-help: an ideology "based upon notions of individual and community responsibility, self-help and 'bottom-up' techniques which mobilise the skills and resources of the local community and consequently 'empower' it from the imposing structures of government programmes". It is difficult to see any such empowerment in any of the small towns in which I have visited across regional Victoria in recent years (Martin 2005). Local governance via our system of local government has been largely non-existent in these places. The challenge for central governments – both state and federal -is to get the right balance of exogenous and endogenous rural development, and universal prescriptions across systems of local government will rarely reflect the great diversity that occurs between towns and communities in these different jurisdictions. The well know adage from Canadian rural researchers: 'if you've been to one town, you've been to one town,' applies equally to Australia.
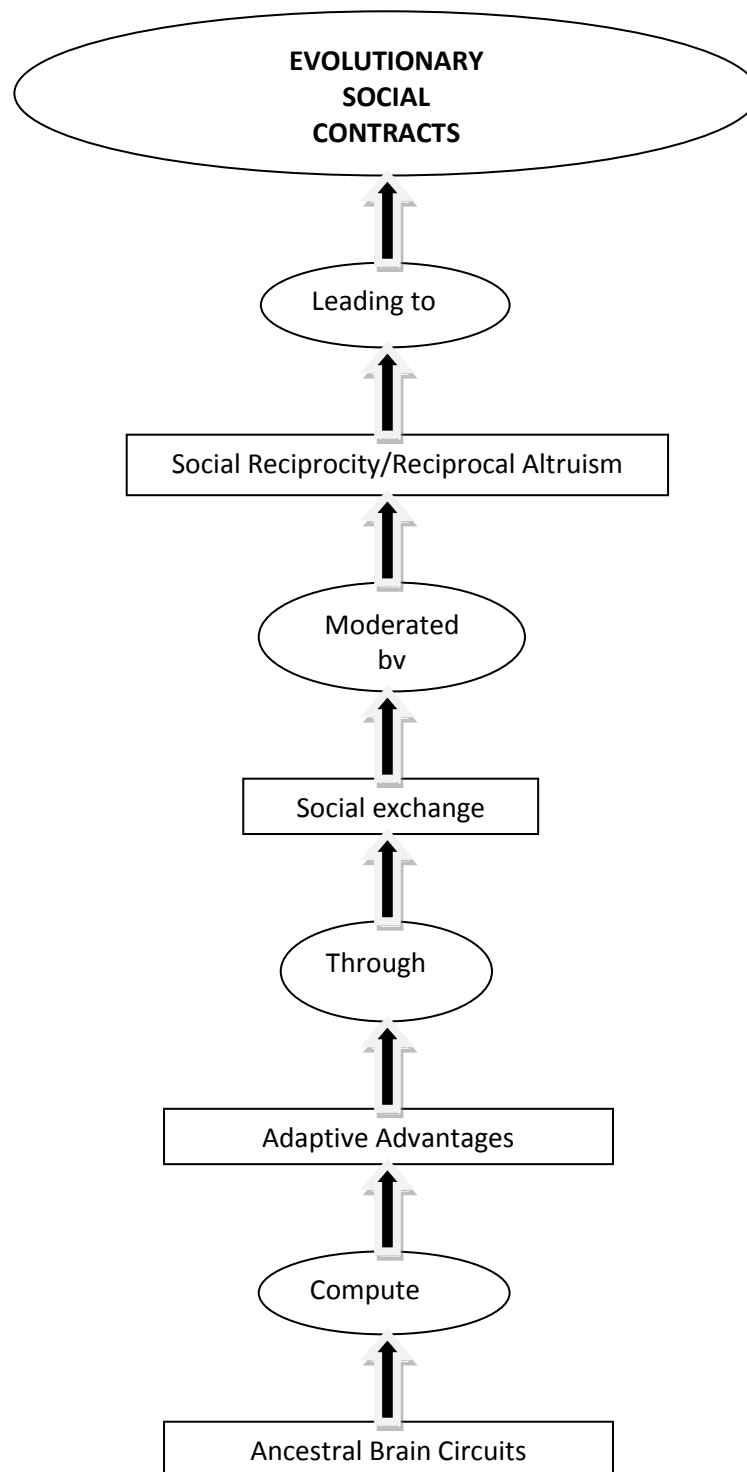
The 'Social Contract'

The concept of the 'social contract' underpins 21stCentury western democracy. The social contract outlined by the Swiss-French philosopher Jean-Jacques Rousseau (1762) heavily influenced the French Revolution, which began a decade after his death in 1778. Rousseau's experience of being born into a family which provided a privileged education early on in his life before the family became destitute with the untimely death of his father and then becoming part of the servant class of the time created his interest in *institutions politique* which led to the publication of *The Social Contract.* A central idea in his writings was that 'by joining together into civil society through the social contract and abandoning their claims of natural right, individuals can both preserve themselves and remain free.'[1] This of course obligates both civil society and individuals to reciprocate such that governments ensure basic services across the nation and that individuals support these efforts as best they can, especially through lawful behaviour including the payment of taxes levied by

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[1] http://en.wikipedia.org/wiki/Rousseau

governments for the provision of these services. This idea is reflected in the Australian constitution and remains central in Australian society today. The *Financial Assistance Grants* (ACT) is an example of this principle in action as it is the basis for the equalisation of revenue sharing from the Federal Government to state and local governments. The concept of the social contract is what frames our consideration of the resilience and liveability of towns in the Loddon Mallee in the face of contemporary environmental, economic and social change. We next discuss different theoretical perspectives to demonstrate the challenges in operationalising this concept.

Figure 1: Derivation of Evolutionary Social Contracts (from Frederick and Wasieleski 2002, p. 284)

Frederick and Wasieleski (2002) argue in support of the evolutionary biologists that 'social contract reasoning itself is part of the natural order ... and may be a natural form of human coping' (Dunfee cited in Frederick and Wasieleski p. 283). They lay out 'the theoretical, conceptual, and research arguments that support such a conclusion. Social contracts in our view, are indeed "a natural form of human coping"'. (2002, p. 283). Their derivation of the evolutionary social contracts is set out in Figure 1. This view fits with our everyday common sense view of what is proper and correct in the support of family and community in society. In fact this view gave rise to the preparation of this paper looking at local governance in transition and a rationale to determine appropriate service delivery in rural communities across north western Victoria. We expect the principles are equally relevant in other Australian states, indeed other federations such as Canada and the United States of America.

Donaldson and Dunfee (1995) provide a summary overview of the development of the application of the social contract in different domains:

> 'In the twentieth century the social contract tradition finds specific application to economic institutions. First in John Rawls's *A Theory of Justice* ..., it is used to justify and clarify society's obligation to less well-off members of society; later in David Gauthier's Morals by Agreement ..., it is used to justify moral constraints upon *homo economicus* through the device of enlightened economic egoism. Still more relevant to corporate conduct, Donaldson's *Corporations and Morality ...,* draws upon social contract methodology to establish the justificatory foundations of productive organizations, of which one instance is the modern corporation. In this theory and its later multicultural version (Donaldson 1989), the moral legitimacy of the corporation is understood in terms of an implied agreement between society and its productive organizations that it morally authorizes.' (p. 89).

Their focus is on the social contract and business ethics – an issue always in the news as we learn about the practice of some corporations as they free ride on the capitalist system that created them. We cite other perspectives to show how the idea of the social contract is used to argue for government intervention and support.

In a 2005 speech Diana Aviv, President of *Independent Sector,* noted President Reagan's view in the early 1980s that it was 'morning in America'. Since that time of change much has happened in her society, as it has here in Australian society. Aviv noted that while she is part of a 'nation of individuals' from its early days Alexis de Tocqueville noted that 'America is noteworthy precisely for its rich associational life.' (2005, p. 28). In reshaping the social contract Aviv asserts that:

> The place to start, it seems to me, is with a discussion of the social compact, that intricate set of explicit relationships and implicit understandings that connect "we the people" to one another and that connect us all to the government, to the world of commerce and business, and to the multitude of civic and charitable organizations that are so characteristic of our America.' (Aviv 2005, p. 28)

Schwenninger (2010) argues that the global financial crisis of 2007-08 impacting the national economy has placed enormous strain on the American social contract. She claims that 'since the Great Recession began in December 2007, the ranks of America's poor have swollen by at least an additional 2.5 million, and child poverty has climbed to 19 percent from 17.8 percent a few years

earlier.' (p. 34). This evidence reveals that notwithstanding the ideals of the social contract considerable inequality exists within western democracies that claim this principle underpins their system of government. Whether it is the US economy or the economy of towns in the Loddon Mallee if they are relatively poor performers this makes equalisation of service level funding more challenging for governments that have to distribute from a limited pool of resources. Our revenue sharing system is based on per capita criteria. Governments have resisted calls to move towards a performance-based grants scheme.

Rifkin (1996) notes that western society is 'in the early stages of a long-term shift from mass labour to highly skilled elite labour, accompanied by increasing automation in the production of goods and the delivery of services.' (p. 16) He acknowledges that these new jobs will be too few to absorb the millions of workers displaced from the manufacturing and services sector. As the demand for labour in the agricultural industry across the Loddon Mallee declines - as a result of factors such as technological change and the consolidation of many farms into larger units - this will exacerbate population decline already seen in this region. The aspirations of the NBN may well further exacerbate this shift as people living in rural communities are able to bypass local suppliers of goods and services; an unintended consequence of the Federal Government's best intentions to bring high speed internet services to rural and remote regions as well as our metropolitan and regional cities.

In commenting on this shift in the US Rifkin concludes that 'what is required now is a bold new social vision and a broad-based political movement that can speak directly to the challenges facing us in a new economic era. We need a high-tech populism for the Information Age.' (1996, p. 19) I would agree and believe we have the institutional arrangements in place in the Australian Federation to do this. State and local governments working effectively together can facilitate these changes in our small towns such as those in the Loddon Mallee. Local governments have been, I believe, increasingly dependent on directives from their respective state governments over the last two decades and the time is right for the rebalancing of roles and relationships such that local governments are empowered with insight and awareness as to the pivotal role they play in re focussing the social contract in our small rural towns. My observations are that the balance has swung too far in favour of centralisation in our large rural local governments and that the local governance transition must be back to a position where small towns are part of a government structure that engages them in a dialogue about what is fair and appropriate for service delivery in their towns. In Rousseau's view the social contract embodied knowledge and action at the local level. This is what the principle of subsidiarity is based on and, I suggest, has been overlooked in our preoccupation with regional governance across Australia in recent times.

In her research on the health and well being of carers in the United Kingdom Yeandle (2007) found that carers are placed at greater risk of ill health the longer they are in this role, have reduced opportunities for employment and are thus at a greater financial risk, and become socially excluded. She highlights the cost to society of not providing services to carers. Her survey revealed that as universal approaches to services for carers were imposed as many as 60% of carers were not receiving at least one essential service. She argued that a new social contract for care in the UK was required as a result of this parlous state. In the Loddon Mallee we need to know what is the level of service to people like personal carers who give service to the community and whom might reasonably expect some support from the wider community for the important work they do.

Another European perspective on reinventing the social contract is provided by the Finish writer Pekka Sulkunen (2007) who argues that 'society is not a plan and cannot be based on agreement'. (p. 325). She argues that the new contractualism cannot be explained simply as an expansion of the market at the expense of the state' (p. 325) something I will come back to discussing the way in which our public institutions have changed a result of the New Public Management (Hood 1991). Her critique of the social contract is that it 'is an illusion that disguises relations of domination as voluntary partnership.' In order to refute this claim our new regional structures need to be acting on the principle of subsidiarity and working local wherever they can. To not so do so we run the risk of history reporting that these new regional structures are just another centralising agency in what appears to be an inevitable process. We would argue it doesn't need to be so and true regional leadership will do its very best to empower, enhance and build capacity within our small rural communities. Building reciprocity in the relationship between communities and government will be the mark of effective leadership.

Jeanne Scott (2003) identified the three pillars of Lyndon Johnon's Great Society: social security, Medicare and Medicaid as reflecting the social contract in the US. Her concern in the early 21st century was the Republican President George W Bush's efforts to 'reinvent' these programs. In Australia our universal safety net programs of health and social security are also subject to changes by governments of various political persuasions. Nevertheless they continue in various forms and can be seen as iconic central government programs that reflect the way government supports individuals across society when they are in need of such services.

In his review of the implications of social contract theory for professional ethics in public administration Jos (2006) concludes that such theorists 'present a wide range of perspectives on human nature and the social processes that shape conflict, cooperation and compliance'. (p 150). Much of the responsibility for this falls on public administration and 'a consideration of social contract theory yields a heavy dose of realism when it comes to the prospects for building consensus on shared values and ideals' (p 152). Clearly, the theorists see considerable room for interpretation within the social contract. For public administrators responsible for implementation this ethic places considerable onus on them – assuming they are conscious of the dilemma the ideas of the social contract places on them - given management by edict from central agencies in Melbourne and Canberra.

A continuing challenge for state and the Federal governments relates to the way they give substance to the 'social contract' between citizens living in small towns in rural Australia and Australian society as a whole. Governments aim to provide access for all members of our diverse communities from the city to the bush to a range of facilities and services. The mix, however, of facilities and services for each community is dependent on a number of factors such as economic activity, remoteness, demography and the community's priorities. Access to an appropriate level of government and private sector services enhances liveability and enables a community to cope with the external shocks they all encounter over time.

As policy makers and program managers consider whether or not they are being true to the principles of the social contract in the provision of services in our small rural towns they should consider putting themselves in the place of the recipient. To help us think this way we might consider John Rawls' concept of the 'veil of ignorance' introduced in his seminal book *A Theory of Justice* (1999). He suggests that if we did not know what role we were to play in this relationship:

being the decision maker or the recipient (behind a 'veil of ignorance'), governments might have different views about the provision of services to small rural communities. A simple example of this relationship from our childhood is when siblings have to choose who cuts the cake, as the other chooses the first piece. Rawls disagreed with the 'utilitarian' concept of the greatest good for the greatest number, which meant that some were disaffected when identifying what was best for most. If policy makers were able to see each situation from what Rawls called 'the first position', that is where we do not consider our own positions, they would be in a better position to consider all positions. Of course we all project our own biases in decision making – it is self-protecting – but this does not mean it is necessarily what those impacted believe is the best outcome.

Aghion and Bolton (2003) test the idea that the 'normative "Social Contract" tradition that attempts to characterize ex-post income inequalities that are agreeable to all "behind a veil of ignorance" (p 38). They deduce that 'some form of majority-voting is preferred to unanimity "behind a veil of ignorance" whenever society faces deadweight costs in making compensating transfers' (p 38) as might exist in our fiscal equalisation grants to councils responsible for small rural towns. Beyond this grants scheme is a political administrative system that decides on who gets what, where and when.

We have touched on several insights from an extensive literature on the application of the social contract. What it reveals to this author is that a more systematic exploration of themes would reveal much more, but this was beyond our time and resources to do this. Ernst's excellent article 'Explaining the Social Contract' (2001) makes this very point. He examines methodological issues in testing the social contract following such concepts as 'Divide the Cake' ala John Rawls. There are also other strategy concepts from evolutionary game theory which we have not touched on, including the prisoners dilemma (see Binmore (2011) for a straightforward explanation) and Hardin's tragedy of the commons, which Ostrom (1990) has shown is not always the case and that people will cooperate for collective outcomes, for which she was awarded the Nobel Prize for economics in 2009, seen as an affront by the Nobel Committee to mainstream neo-liberal economics which is more about competition than cooperation embodied in the idea of the social contract.

Guy Neave provides an excellent overview of the social contract in an editorial in *Higher Education Policy* (2006) which a serves well our brief overview as to how it might help us think about service delivery in the Loddon Mallee of Victoria, and will be our concluding point in this discussion.

> 'The point of this Editorial, however, has been to show that there are many forms of Social Contract, with vastly different consequences for the social construct they sustain, even within the precise limits set by the founding fathers of contractualist political theory. They made different presumptions about human behaviour. They projected very different forms of social construct. One thing they had in common, however, and which stands in marked contrast with one of our central preoccupations today is the place of change. Neither Hobbes, Lock nor Rousseau grounded their theories on change, though Smith, as we have seen, did, at least within that enclave which the marketplace represented. But the marketplace in Smith's time was itself a limited space, confined within a larger social web that remained steeped in what is best described as 'ancestral' or 'pre-economic' folkways.' (Neave 2006, p. 284).

So to with our consideration of how to provide appropriate services to people living across 70 small town in the Loddon Mallee. The social contract in Victoria today is the manifestation of our state and national development in a vastly different world when the political philosophers framed and

operationalised the social contract. The general idea, however, prevails and the question is what will governments do to address the immediate and ongoing needs of people living in these places today?

The Loddon Mallee Region of Victoria

In the Loddon Mallee there are 71 small towns[2]. These are 'urban' places with populations ranging from 73 (Mitiamo) to 29,054 (Mildura). While the average population is 1,898 the median town population of 670 highlights the approximately 30 small towns across this vast region with only a few hundred residents. Contrast this with the City of Greater Bendigo in the south east of the region in the centre of Victoria, with around 104,000 people living in the city limits (97,000 within the urban sprawl of the city and the rest within the 25km radius, which also includes several small towns, Elmore and Heathcote for example). As we will see later the proximity of small places to larger centres is a key factor when considering the ability of people in small rural towns to access essential services and amenities (Pritchard *et al* 2010).

Stretching some 600kms from the top of the region in northwestern Victoria to the peri urban fringes of metropolitan Melbourne the Loddon Mallee region takes in a diverse range of communities including dryland farming and irrigated agriculture to foundries and manufacturing in Bendigo. The diversity of economic opportunity in these places is set out in Access Economics *Victorian regional economic outlook* (2011). This report provides a comparative account of the economic outlook for Victoria's eight regions comparing them with the outlook for metropolitan Melbourne and the State as a whole. What is interesting in this report is to look behind the economic analysis and predictions to try to understand why these regions have quite different futures.
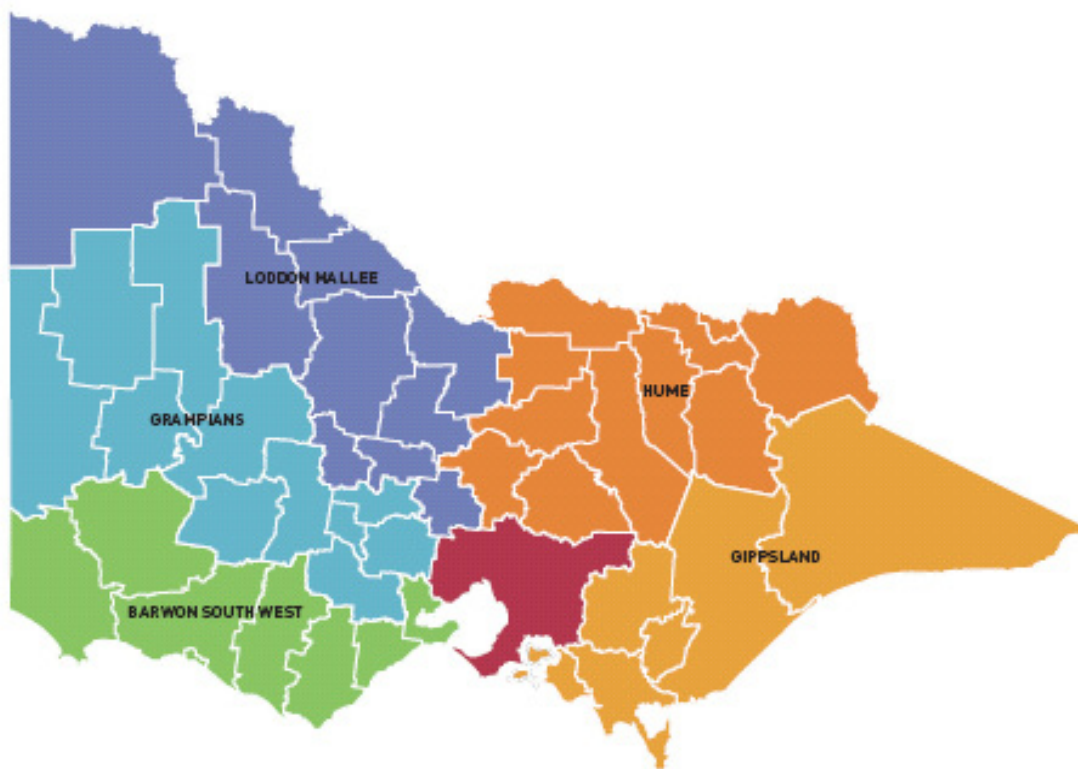
Figure 1: The non-metropolitan regions of Victoria

Loddon Mallee is, in fact, divided into two administrative regions: North and South. It would be interesting to know the rationale for this decision. The large area that constitutes the region is probably one factor, which is an important criterion in our consideration of the importance of the proximity of small towns in this region. The ability of people in smaller, 'hinterland' places to access larger regional centres is regarded as an important factor in the sustainability of small towns.

Economic Outlook for the Loddon Mallee Region

In their February 2001 report on the Victorian regional economic outlook Access Economics (2011) identify a mix of positives and negatives relating to the economic performance of the State's regions. Interestingly these relate to the impact of events well beyond each region: an increase in relative world food prices; increased inflows into the Murray-Darling Basin and population growth (driven by immigration); and, the downturn in foreign student numbers; the proposed carbon tax; increasing fuel costs; and cutbacks in irrigation allocations.

These external factors will impact Victoria's regions in different ways. This is the cost and the benefit of being part of an open economy. Our collective fate is a function of how well we do as a nation, rather than individual regions competing on the world stage in isolation of each other, and our collective history contributing to the current state of the nation.

Access Economics note that agriculture is the stand-out employer in Loddon-Mallee North region and as such is very much exposed to the vagaries of external factors identified above. An issue they see as a result of declines in agriculture is a shift in populations from small towns to larger regional centres, such as Mildura, Swan Hill and Echuca. The loss of government services exacerbates the population decline as people previously employed in these services move elsewhere.

Figure 2: Towns of the Loddon Mallee region, Victoria

Loddon Mallee South region's economic outlook is much brighter. As noted earlier the city of Bendigo is the major economic centre with a diverse economy including education and training, health care and social assistance, retail trade and manufacturing. Access Economics note that this region's economic growth challenges the Geelong region as the strongest outside of Melbourne. The future for the southern part of the Loddon Mallee region is significantly different to their cousins in the north of this region.

In the Department of Planning and Community Development report (2011b) on change and disadvantage in the Loddon Mallee Region it makes a note on the limitations to describe disadvantage at the outset of this report, namely, that 'there is a significant paucity of data to describe disadvantage' (p. 2) given the nature of what and how data is collected. The report highlights two reasons. The first is that only a few composite measures exist (SEIFA, for example) and that disadvantaged populations are typically small and are not routinely detected in population surveys. Notwithstanding this proviso this report shows the diversity of opportunity and disadvantage across this large region. This diversity suggest a contingent approach and 'highlights the need for collaborative planning – that can find solutions specific to a locality's economy, demography, needs and interest – to address disadvantage in regional localities.' (p. 4) The issue for policy makers having to respond to so many small towns relates to the ideal of providing bespoke programs versus universal, template driven models.

Why is community important in determining the sustainability of places?

Jane Jacobs recognised that development is a function of differentiation and growth. Communities bring people together and it is out of their differentiation that creativity and innovation occurs (Florida 2008, p. 39). This is similar to the idea of economies of scope and scale. Scope gives diversity and scale reduces unit cost as production increases. In small rural communities diversity enables a wider scope or strategic consideration of options. In the research revisiting small towns in Victoria in 2005 this was evident in several of the towns examined (Martin 2005). While their circumstances had changed dramatically it was the diversity of thinking that had created sustainable outcomes from multiple options. There is a considerable literature discussing people-based versus place-based policies as drivers of development for example, Stimson *et al* (2011). Stimson and his colleagues (2011) make the distinction between people-based versus place-based policies. The former relates to the development of people through education and training, for example, and the latter are typically oriented towards selective industry assistance, payroll tax exemptions, land deals, and the like' (Stimson *et al* 2011, p. 200). People-based policies can be seen as long-term investments. Place-based are more industry and community-based actions, having a more immediate impact. Of course, people and place-based strategies are not mutually exclusive and each will have pre-eminence at different points in time as government deal with changing communities. In the Loddon Mallee where we are witnessing ageing in place, a declining population, loss of essential services place-based strategies would be most relevant to assist people in these small communities cope with day-to-day living.

The OECD has focussed on rural development because of the changes impacting rural agricultural economies across the developed world. The old approach is contrasted with the new approach, or aspiration, in Table 1 below. The shift is away from an exclusive focus on agriculture to other sectors. This recognises that rural places now serve a greater range of functions related to the amenity they provide for tourism and recreation, for example. The OECD framework has been adapted by Tomaney (2010) writing for the Australian Business Foundation (Table 2). He acknowledges that 'there is considerable unevenness in the application of the new principles and in practice the lines between them prove to be fuzzy.' (Tomaney 2011). What is interesting is how a new 'rural' paradigm has become a new paradigm of 'regional' policy in Tomaney's view who supports the idea of 'localism.' We suggest that rural and regional are two quite different spatial and socio-economic concepts leading to different policy options. Tomaney's idea of localism – which he does not define – suggests a more specific place-based strategy, as opposed to a regional strategy covering numerous towns over a much wider area. It is clear that with such loose terms there is no real guidance for policy and program managers wanting to make effective change in the non-metro regions of Victoria.

TABLE 1: The new rural paradigm (OECD 2006)

	Old approach	New approach
Objectives	Equalisation, farm income, farm competitiveness	Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (ex. rural tourism, manufacturing, ICT industry, etc.)

Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supra-national, national, regional and local), various local stakeholders (public, private, NGOs)

TABLE 2: Old and new paradigms of regional policy

	Old Paradigm	New Paradigm
Objectives	Compensating temporarily for location disadvantages of lagging regions	Tapping underutilised potential in all for enhancing regional competitiveness
Unit of intervention	Administrative units	Functional economic areas
Strategies	Sectoral approach	Integrated development programmes
Tools	Subsidies and state aids	Mix of soft and hard capital (capital stock, labour market, business environment, social capital and networks)
Actors	Central government	Different levels of government

Source: adapted from OECD (2009: 51) Regions Matter: Economic Recovery, Innovation and Sustainable Growth, OECD: Paris

The OECD's framework and Tomaney's adaptation highlight the strategic choices policy makers have in addressing change in small towns in the Loddon Mallee. The key question for decision makers from this view is can we agree with the objectives of the new paradigm: can we agree to a set of policies that aim to enhance the 'competitiveness of rural areas, valorisation of local assets, exploitation of unused resources? Are we prepared to make such an investment to realise these objectives?

Mark Drabenstott (2003), previous Director of the Center for the Study of Rural America at the Kansas City Federal Reserve has laid out the new era for rural policy in his country. He acknowledges the key role small business plays in rural America, which is also the case in rural Australia. The family farm, for example, is by far the most common type of business in rural Australia. Equally in our small rural towns small business is the most common type of business and is inextricably linked to farming success (Pritchard *et al* 2010). Drabenstott argues that initiatives to grow more entrepreneurs will be a cornerstone of new rural policy. He concludes that such policy 'can no longer afford to focus on sectors and subsidies. Rather, the focus needs to shift to the unique needs of regions and the investments that will spur new sources of competitive advantage.' This is the type of conversation we need to have with our small rural towns.

The Victorian Department of Planning and Community Development have recently released a 'Regional Place Based Programs Policy Framework' naming nine regional locations in which the initiative will be implemented. The DPCD preamble recognises the challenge facing smaller

communities across Victoria (and all regions appear to be covered) using the Access economics report outlined above. What is interesting in the 'locations' in which they are rolling out this initiative the scale is either a large town/regional centre (Benalla and Colac for example) or a 'cluster' of small towns (such as those along the Mallee Track from Ouyen to the SA border). If as DPCD suggests – and I agree – there is a need for collaborative planning, can this be effective across clusters of small towns. The scale, we believe, needs to be locality based on individual towns.

Where is Local Government in this agenda?

Ten local government authorities cover the Loddon Mallee region. As we have already highlighted in the southern sub-region the City of Greater Bendigo is a major influence on the region of central Victoria, let alone the administrative region of the Loddon Mallee. Any strategy of collaborative planning in small towns must include the impact of this major urban centre. Not only is Bendigo a drawcard for health and education it is centre of manufacturing and in the food industry relies on the products and services from the wider region. An important question must be what is the extent of proactive involvement of local government officers in each of these small towns? Many are some distance from each council's administrative offices and there are important logistical questions about accessing and engaging with people in small towns spread out over large geographical areas. There is also the issue of the responsiveness of councils to the current level of engagement in each town.

Research by Stoker and his colleagues has identified that one of the biggest impediments to engagement is the non-responsiveness of local governments to their current engagement activities. Stoker and his colleagues framed the CLEAR model (Stoker, Lowndes and Pratchett 2006). This posits that effective engagement happens if people Can participate; Like to participate; are Enabled to do so; are Asked; and, are Responded to. Stoker[3] refers to 'consultation fatigue', which comes about because of the non-responsiveness of engagement process. Reflecting the principle of reciprocity, a corner stone of Rousseau's idea of the social contract, if government does not respond in an appropriate way citizens very quickly come to see engagement with government as a sham. The CLEAR model serves as a framework for evaluating community engagement in the European Union and could also be used in the Loddon Mallee Region to evaluate the effectiveness of any intervention by government.

Our overview of various perspectives on the 'social contract' reveals that this is an idea which leads to a discussion across many policy fields about what governments and citizens should do together to ensure their community and economy prevails for the collective good of all citizens. There are no hard and fast rules here only guiding principles against which we can check our intentions and efforts. The issue is wicked (Rittell & Webber 1973) because there are no options for testing. Every intervention has impacts and actual comparisons between policy options in real time are not possible.

There are numerous options available to governments to support small towns in regions experiencing change like the Loddon Mallee. We identify two options: one reflecting current (State Government) policy; and, one reflecting a genuinely local-based option involving local governments and small towns directly. These options are not presented as being mutually exclusive. Each will have different outcomes and if our suggested second option is applied in different places by the RDA

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[3] Personal communication ANZSOG Canberra 18 July, 2011.

Loddon Mallee policy makers will be able to see how two different approaches running in concert can contribute in different way to the sustainability of rural places across Victoria.

In the first option a variety of large towns and regional grouping of small towns are selected essentially as demonstration projects with financial assistance provided by the State Government. This is short-term funding (annual) run by regional officers of the Victorian State Government. This is what is planned in the DPCD's *Regional Place Based Programs Policy Framework and Implementation Overview* mentioned in this paper. Clearly this is a major investment by the Victorian Government in nine different places across the State which would expect will result in good outcomes for these communities. The Government has assumed that this approach is a valid one, and while we would also expect this to be the case, it has not been tested.

Our second option leads out with research with town communities to identify an appropriate way of working with small towns in the Loddon Mallee region experiencing change. The level of government we believe is best suited for negotiating the social contract with small towns is local government. The principle of subsidiarity also suggests that for the types of issues related to service delivery that we are concerned with these are the domain of local government.

The second option involves the various regional structures of the State and the Federal Governments. It involves the RDA and the Regional Manager's Forum (RMF) Loddon Mallee (a body composed of all local government CEOs, and State Government departmental regional managers led by the Director General of one of these departments) working together with the ten local governments covering the region – who in this option are the administrative centre-piece - on an initiative which first works with a representative number of small towns to develop a range of strategies for working with small towns in the identification and delivery of government services. Because the responsibility for these services will cover all levels of government we believe the governance arrangements in our suggested research strategy will enable all governments to respond as they learn about changing needs and work with communities to develop innovative and typically unique approaches to solving problems locally. This is, we assume, what 'localism' actually refers to. This options call for leadership from the Victorian State and the Federal Government, through the RDA, to give ownership to the ten local governments who have formal place-based responsibility for small towns in the region.

We recognise that this is not a strategy that fits well with the style and idiom of policies and programs that comes from the state and Federal Governments today. Economic rationalism looks for and values relatively simplistic, universal solutions to such problems. The idea that it be messy, cumbersome - and yes often tiresome to central government bureaucrats – is, we believe, necessary if our Federation is to honour the social contract with our small rural towns, and the only strategy likely to succeed if these places are ever to be considered sustainable. The tragedy is, as George Bernard Shaw once quipped, 'the only thing we don't learn from history is that we don't learn from history' and my ramblings will be rediscovered by some bright young thing long after I am gone when Australian society wonders what ever happened to those wonderful small towns that made the country great.

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