Regional development policy is essentially a response to a political perception of problems associated with the patterns of population and employment distribution in a nation. Ideally, the definition of these problems should be the product of a clear statement of community objectives and a detailed understanding of the processes through which regional structures develop and evolve. The application of purpose to a knowledge of development processes should lead to the derivation of effective policy recommendations. In practice, however, preconceptions and emotions can form the basis of policy approaches. Furthermore, the context is often one of a limited understanding of the consequences of policy actions for the regional system. Ideals are rarely obtained. Nevertheless, it is the argument of this paper that too much regional policy in Australia has developed on the basis of too little attention to important questions of purpose, and with an inadequate understanding of the functioning, structure, and evolution of the regional system.

In developing this theme, the paper briefly traces some of the key historical influences on the current regional pattern in Australia and outlines the major features of the present-day structure. It then describes the emergence of regional policy after World War II and its culmination in the Federal policy initiatives of the 1970s. The major thrust of the paper is a critical analysis of the logical rationale and empirical support for those policies.

Historical Influences On Regional Development

White settlement of Australia has only a two hundred year history. Prior to the invasion by the British, the inhabitants of the continent were a thinly scattered aboriginal population. Lifestyle and survival systems were essentially nomadic and founded on hunting rather than cultivation; hence, no pattern of permanent settlements or large towns influenced the location of the colonies.

The motivations for British colonization are disputed, but seem to have been an amalgam of a solution to the convict problem, an extension of imperialism, and the search for raw materials. The early charter of the settlements as dumping grounds for dissidents established a major role for public administration and an urban-oriented lifestyle. Australia, unlike Europe, was urban before it was rural.

From these colonial centres, exploration of the hinterland spread in a search for staples that could establish an export base. Those that were developed (for example, wool) utilized land-extensive techniques of production.

1 I am indebted to Dr. R.K. Wilson of the Department of Regional and Urban Economic Studies, University of Melbourne, and Mr. F.M. Little of the Department of Economics, Monash University, for their invaluable comments on an earlier draft.
production, a feature which promoted a scattered pattern of rural settlement. The staples tended to be light in their transport requirements, and metropolitan centres became the logical processing and commercial centres. The coastal locations of the centres also ensured rapid growth associated with the entrepot function.

The centralization of public administration in the capitals and the construction of transport networks radially focusing on those capitals encouraged a rapidly growing metropolitan tertiary sector. The capitals were also the receiving ground for technological innovations which only slowly filtered down the hierarchy to rural centres. This advantage, agglomeration economies, and the distance from alternative sources of supply led to the development of an import-substituting manufacturing industry concentrated in the capitals. The markets being served were the burgeoning cities themselves as well as their hinterlands. It has always been the case that growth of metropolitan areas in Australia has had important endogenous sources. The agglomeration has internally generated growth through encouragement of specialization, its growing markets, and the achievement of scale economies.

To summarize, initial advantage, the technology of rural development, the impetus to concentrated development of manufacturing industry, the centralization of public administration, and the development processes triggered within the relatively large capitals, led to the early establishment of a pattern of metropolitan dominance of regional hierarchies.

In order to understand the urban system that evolved in Australia, it is critical to recognize that the regional hierarchies of the colonies (states) developed in effective isolation. Each state was separately governed, determined its own transport policy (leading to a lack of integration of networks), and erected tariff barriers against other states. Interaction and complementarity were also severely hampered by the geographic vastness of the place and the "tyranny of distance" that this imposed [12]. The outcome was duplication of economic structures, rather than specialization based on heavy interregional flows of goods and services. Because of this duplication, intrastate variations in incomes per capita, employment opportunities, and lifestyles are still far more important than interstate differences.

Federation occurred in 1901 and the tariff barriers were removed. The time lags involved in the emergence of a more interactive urban system were, however, substantial. In fact, the assumptions of separation of state economic structures, and metropolitan dominance in effective isolation of cities, with some port cities becoming processing and marketing centres, have not been fulfilled. Indeed, Australian regional policy makers have been fortunate in that they have not had to cope with depressed industrial regions or the decline of major cities. The recency of white settlement, the concentration of industry in the capital cities, and the continuing role of the early ports as the modern focal points for development explain the lack of obvious problem regions.

The 1970s have, however, witnessed new phenomena which represent a challenge to the broad picture of regional development. Agglomeration economies and the "tyranny of distance" have been complemented almost everywhere by new regional political and institutional perspectives which recognize the regional dimensions of the national economy. The regional problem has become regionalized.

The structural problems of depressed regions are accentuated by resource-based industries and the lack of obvious problem regions. First, the context of rapid economic and population growth has altered dramatically. Rates of natural increase have declined to a point close to zero population growth, and the immigration program has been severely curtailed. Second, structural changes in the economy have been accelerated and highlighted by the recession. Manufacturing industry has suffered from high wages and loss of competitive advantage in the Asian region. Both factors have encouraged rationalization and, sometimes, closure. The possibility of the depressed region problem looms in the cases of medium-sized centres with a narrow manufacturing base and the depression of manufacturing centres with a narrow manufacturing base.

Contemporary Regional Patterns

The Australian regional system is characterized by the dominance of a few large metropolitan areas and a commensurate lack of medium-sized centres in the urban hierarchy. The five mainland state capitals are also the five largest cities. Taken together they account for 58 per cent of the Australian population, even though they constitute less than 10 per cent of Australia's urban centres. More than half of the population resident in these major metropolitan areas has been increasing. Between 1966 and 1971, for example, Sydney absorbed 73 per cent of the total population growth of New South Wales, while Melbourne accounted for 97 per cent of Victoria's total population increase. The result has been increasing metropolitan dominance of all state population distributions, and greater deviation from the rank size population distribution in all mainland states except New South Wales.

The scenario of Australian regional development patterns in this century is thus one of increasing concentration of population (and economic activity) in the metropolitan capitals of the Australian states. The obverse of these trends has been the decline of small country towns, as both transport and agricultural technology have undermined their functions. Consequently, the rural population has itself undergone a process of concentration in larger regional centres. However, medium-sized cities that would fill the gaps in the hierarchy of urban settlement have not evolved. Post-war growth of new centres outside the metropolitan capitals has been confined to resource centres (for example, the Pilbara mining region) and retirement, recreation, and tourist centres (for example, the Gold Coast and Coalfie's Harbour). Growth centres in the "bush" have not emerged. The overriding theme of increasing metropolitan dominance is seen to have been at the expense of rural areas and the development of middle range centres. The booby of the growth of large cities and their relative size to other state centres has become accepted as the definition of "the regional problem".

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smaller country centres dependent on labour-intensive industry (especially textiles and clothing). Third, the regional system is characterized by increasing functional interdependence. Improved communications and transport networks have been permissive factors, while increasing specialization of function in the urban system and the branching of multi-plant manufacturing have been applied to restrain metropolitan growth. In fact, states openly competed for investment and industry without specifying non-metropolitan locations. However, there were a range of incentives available to firms willing to relocate or establish in country areas, and these firms were scattered over 62 separate country locations. In the 1970s, regional policy consisted essentially of an ill-considered, and political differences often prevent federal policies that favour one location in a state over another. Hence, regional policy outlays. However, agreement on non-metropolitan locations. The success of the incentives in encouraging relocation of industry has been limited. Further, they are utilized without selectivity in that they apply to all locations outside the metropolitan area. Hence, in New South Wales between 1965 and 1972, only 115 firms used the incentives, and the impact of money spent was scattered through non-metropolitan areas rather than concentrated in a few centres where growth potential existed and economies of agglomeration could be achieved. The programs and their justification were ad hoc, and scant analysis of regional systems supported their application.

Against this background, an increasing awareness of the need for appraisal and recognition of a prospective role for the central government, a Committee of Commonwealth-State Officials was appointed in 1965 to report on decentralization issues. They did not report until 1972 [33]. Meanwhile, political pressures favouring a higher priority for urban and regional problems and a federal policy role had built up in the context of a central-government interest in the decentralization of industry. In December 1972 the Liberal Government moved to establish the National Urban and Regional Development Authority (N.U.R.D.A.) which was to report to the Government on the problems associated with the current urban system and the potential public investment and coordinating role of the federal government.

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The proportion of state budgets devoted to active decentralization efforts was small. Existing country firms soaked up most of the funds, and the impact of money spent was scattered throughout non-metropolitan areas rather than concentrated in a few centres where growth potential existed and economies of agglomeration could be achieved. The programs and their justification were ad hoc, and scant analysis of regional systems supported their application.

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port, and major infrastructure and the indirect spatial effects of national policies such as tariffs, exchange rate adjustment, and taxation were seen to provide the justification for the added dimension to federal policy considerations.

Secondly, there was a prevailing dogma that the metropolitan areas (especially Sydney and Melbourne) were too large. Continuing concentration of population and economic activity in the largest cities was perceived to be the cause of heavy economic and social costs such as traffic congestion, escalating land prices, loss of public access to recreation areas, pollution, and the high cost of providing public services. In addition to being "inefficient", the pattern of metropolitan dominance was seen to be associated with inequality within and between cities. The burdens of rapid city growth, it was claimed, fell most heavily on the low-income groups. Furthermore, the greedy appetite of large cities for skilled labour and new industries was seen as the cause of a lack of growth of medium-sized centres, and a dearth of employment opportunities for the non-metropolitan population.

The third theme permeating the federal strategy had a bureaucratic orientation. Urban development processes in the large cities were seen to be grossly inefficient. If not corrupt, in their operation. Speculative gains by private developers, a proliferation of red tape (associated with the overlapping authority of several government agencies in approving land subdivision), and the poor quality and phasing of the provision of public infrastructure were seen to be characteristic of metropolitan fringe development processes.

Development corporations that combined the responsibilities for land development and infrastructure provision were seen as the means to more efficient planning procedures and the elimination of private capital gains from land dealings. Establishment of such corporations required the agreement of the states - a fact which made it unlikely that the ideal could be applied to the development processes of existing metropolitan areas. Hence, this important facet of federal thinking created an impelling logic for new developments either on green field sites close to metropolitan areas, or in non-metropolitan growth centres.

These three themes governed the development of regional and metropolitan growth centres policy, and of regionalization policy.

The Growth Centres Program

The first actions taken by N.U.R.D.A. were to identify metropolitan and non-metropolitan centres that either had economic potential as growth centres or had already been designated as such by federal or state governments. Agreement on development programs for the growth centres was then sought with the states. Some states found the proposals unacceptable and, in the event, only four growth centres received significant funding: Bathurst-Orange and Macarthur (S.W. Sydney) in New South Wales; Albury-Wodonga in New South Wales and Victoria, respectively; and Monarto in South Australia. Albury-Wodonga and Bathurst-Orange were to be the prototype regional growth centres; that is, non-metropolitan growth centres. Their main function was seen to be the provision of an alternative location for industry and population that would otherwise be located in Sydney or Melbourne.

In contrast to state policies, federal decentralization measures leaned on growth pole theory in stressing the need for concentration of effort on a few locations rather than dissipation over many. Only in
this way, it was argued, could thresholds be reached and scale and agglomeration economies achieved. The growth centres could then effectively match the locational advantages of the metropolitan areas, create internally generated growth and, in the long term, remove the need for continuing government subsidy.

With little distinction as to purpose and function, the federal program also designated two kinds of metropolitan growth centres for subsidized development - office employment centres and "system" cities. It was envisaged that the encouragement of multi-nucleated city form in the large cities would reduce what was believed to be an over-emphasis on the C.B.D., and that this objective could be achieved by establishing alternative centres of office employment. The location of federal government offices was to be the major policy weapon. The second version of the metropolitan growth centres was the system city - which involved the development of "satellites" of the existing metropolitan centres on green fields sites away from the boundary of suburban development, but still within the functional economic area of the city.6

Regionalization

Growth centres (especially the Albury-Wodonga showpiece) stole much of the limelight and obscured major regionalization initiatives. In effect, a new tier of government between state and local was encouraged by the Labour Government - both to skirt the powers of the often recalcitrant states, and to encourage consolidation of local government and an extension of its powers. It was envisaged that regional inequalities in living standards and opportunity could be reduced by channeling more funds for local employment programs, public infrastructure, community facilities, and welfare services through more responsive organizations of local government. Hence, the nation was divided into 68 regions on criteria that were a combination of "functional" linkage (non-metropolitan areas) and socio-economic similarity (metropolitan areas) [4, 19].

The Grants Commission Act of 1973 was the financially enabling legislation, as it gave the federal government powers to make direct grants to community groups. Previously the meagre local government share of direct tax revenue had been channelled through the states. Through the Grants Commission, "seeding" money was made available to assist in the establishment of Regional Organizations of Councils (administrative groupings of the local governments in a delineated region). The Regional Organizations could then make application to the Grants Commission for funding of community development projects.

During the 1973-1975 period, a variety of federal programs that aimed at spatial equalization of opportunity used the regional grouping of councils as the focus of implementation - for example, the Regional Employment and Development Scheme (local employment), the Area Improvement Program (community infrastructure), and the Australian Assistance Plan (welfare services).7

Local initiatives and self-help were certainly encouraged by such schemes, but there was a lack of coordination of the programs. Well-organized regional groupings obtained the most money, despite the fact that they were not necessarily the most deprived, and accusations were made that funds were spent wastefully on unnecessary projects. Nevertheless, the process of regionalization had been undertaken, and a new regional administrative level had been introduced to the hierarchy of government. The foundations for more detailed and geographically consistent regional analysis and more coherent regional policy were also laid by the initiatives.

Regionalization also had a role in the national settlement strategy, implicit in the regional funding programs but explicit in the notion of regional administrative centres. It was recognized that concentration on a few non-metropolitan growth centres would do little to reduce inequalities between metropolitan and non-metropolitan locations - especially given the low density of rural settlement around the growth centres. Therefore, social equity programs were to achieve a wider coverage by the identification of a premier town in a region (on criteria of accessibility to other centres, reasonable size, and potential for economic growth) that would serve as the focus for regional assistance and for effective provision of public sector services. It is not clear, however, how significantly this notion was ever developed in guiding the principles underlying the various regional programs.

A Critique of the Regional Strategy

The critique will first consider weaknesses in the programs as they actually unfolded. It will then examine the economic and social arguments presented to justify the federal strategy. Following this, a general critique is made of the least cost, optimal size approach employed by some proponents of decentralization in Australia. Finally, the whole rationale of the program is criticized for its neglect of the benefits associated with growth in large cities - the promotion of a more productive disposition of inputs, and through important contributions to the process of economic development.

Program Weaknesses

Even if one initially accepts the economic assumptions underlying the strategy, there were a number of weaknesses evident in the implementation of its programs. Most important, the so-called "national settlement strategy" never achieved widespread official incorporation into government policies. Naturally, this is not a criticism of the programs per se, but a comment on bureaucratic inflexibility and the distribution of power in a federal system.

At state level, the notion of selective decentralization was not incorporated into policies. While federal growth centres programs stressed concentration of effort, the policies of the larger states continued to be undiscriminating in their application of incentives outside metropolitan areas. Similarly, while major coordination of state and federal policies was achieved in Albury-Wodonga, the simplest of anomalies remained. For example, payroll tax deductions were available to firms in Wodonga (Victoria) but not in Albury (New South Wales), thus creating an environment favouring the growth of one of the "twins" over the other.

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6Examples that received funding were Macarthur (Sydney) and Monarto (Adelaide). Inability to meet criteria prevented the funding of Geelong (65 kilometres from Melbourne).

7The community of interest of established welfare organizations led to some lack of coordination in that they used slightly different regional boundaries. However, the concept of regionalism was a common denominator of these programs.
At federal level, while the Department of Urban and Regional Development was active in making submissions on the spatial implications of the policies of other departments, the record shows an insensitivity to regional objectives in many major decisions. For example, the across-the-board tariff reductions of 1973 particularly affected textile and clothing industries in small regional centres and created significant regional employment problems. Similarly, the phasing out of rural subsidies on petrol and telecommunications were contrary to the principles expressed in the national settlement strategy documents [5].

These are criticisms of a failure to fully achieve a regional perspective in government policies. On the other hand, it must be recognized that the notion that spatial distribution of policy impacts should be a parameter of decision making was a novelty to most federal departments. The national settlement strategy was a giant stride forward in a comparative sense, and the embryo of the additional dimension to policy making was formed during the Labour Government's period of office.

The strategy could also be criticized for its lack of achievement. Only four growth centres were actually funded, and little has yet been achieved in the way of concrete results. Long gestation periods apply in new town developments, however, and so a proper assessment of the achievements of the Development Corporations must be postponed. Moreover, the limited number of designated sites that actually became operative as growth centres could be explained in terms of poor federal-state relations and restrictions of time and money, rather than in terms of inherent weaknesses in the strategy.

In questioning the strategy, it is far more important to analyze its assumptions than criticize its achievements. The major reservation must be that the economic suppositions underlying the attack on large cities were not clearly constructed, and based on partial evidence. The degree of understanding of the structure of the regional economic system, of the processes of change in that structure, and of the implications of that thinking that ensured the divorce of the programs from well-researched assessments of their socio-economic implications.

While the notions of the system of cities and national settlement patterns were promoted as key policy considerations, the economic functions of that system were not a focus of research. The urban hierarchy was viewed normatively, and Australia's lack of medium-sized centres was presumed to be a symptom of economic immaturity and unbalanced growth. The critical issue of the economic development functions associated with the pattern of metropolitan dominance was barely mentioned, however, and economic structure was not systematically analyzed. Even if better data had existed, the conceptualization of the regional economic problem would not have been compatible with a recognition of the importance of structural change.

These criticisms apply even more forcefully to state decentralization programs. Federal policy approaches were sophisticated in comparison.

The literature on inter-urban migration is an exception. However, studies of the economic flows between cities and the role of centres in the system did not receive similar emphasis.

Justifications of the Federal Strategy

Statements made in support of the strategy and its aim of reducing metropolitan dominance claimed not only efficiency advantages but also the achievement of greater equity. Large cities were seen to be the cause of greater inequalities in the distribution of income. However, these arguments were also based more on emotion than fact. In one instance, the claim was unsupported by evidence [31], and in another, it was based on divergences in crude indices of inequality between two groups of metropolitan areas [30, ch. 9].

On the other hand, it is known that the proportion of the population living in poverty in rural areas is significantly greater than that in major urban areas [9]. There is also evidence that income polarization and associated social dysfunction in large cities is a product of the form in which the urban area develops rather than the size of the city [171].

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The challenge of Income Inequality is thus far more one for metropolitan planning and national welfare policy than for a national settlement strategy. Accordingly, it can be argued that the socio-economic justifications of the federal strategy were drawn from an inadequately supported view of large cities. Furthermore, there were virtures seen in the programs themselves as exercises in orderly planning — a line of thinking that ensured the divorce of the programs from well-researched assessments of their socio-economic implications.

The dominance of programs over strategic objectives is highlighted by the lack of distinction made between metropolitan and non-metropolitan growth centres. A reconciliation of metropolitan growth centres with the attack on large cities was not convincingly made, and the co-existence of the two kinds of growth centre is only explicable in terms of a heavy emphasis on the advantages provided by development corporations.

Nevertheless, it must be recognized that there is a sophisticated body of Australian literature that presents an economic argument for decentralization. This traditional set of economic assumptions provides a foundation for the programs, on the ground that policies aimed at reducing metropolitan dominance achieve a reduction in costs. The large cities, it is argued, are past the optimum scale at which they generated minimum average costs per head of population (accounting for both social and private costs). The size and rate of growth of metropolitan areas generates significant external diseconomies such as pollution, congestion, escalating land prices, reduced access to recreation areas, and the rising cost of providing public services. Hence, it would be economically efficient to redirect some growth to areas outside the large cities [24].

Least Cost - Optimal Size Approach

Typical of the research supporting this theme are studies of the relative cost of providing additional public services to metropolitan as distinct from non-metropolitan locations that demonstrate the cost savings to be gained from redirection of growth to smaller centres [23, Part II]. It is questionable, however, whether the concepts of optimum city size and unique, identifiable long-run average cost curves for a range of cities have any meaning [28, Ch. 2].

On the basis of very patchy and partial evidence it is suggested
that public policy to redirect growth is necessary as location decisions are motivated by considerations of private rather than social costs. It is argued, however, that the social costs of continued metropolitan growth must be recognized, and government policy measures should encourage relocation in (socially less expensive) smaller centres. The end result would be a more efficient spatial allocation of economic activity.

The argument that the larger Australian cities are on the upward slope of the long-run average cost curve has not, however, been substantiated. In fact, there is doubt as to whether (from a national point of view) any Western city has been proven to be too large, insofar as the marginal social revenue derived from growth no longer outweighs the marginal costs. In other words, there are benefits as well as disbenefits associated with continued metropolitan growth. The quantification of the benefits has been sadly neglected in the Australian policy equation.

The narrow least cost thinking underlying Australian decentralization policy was directly challenged in a report of overseas experts commissioned by the federal government. In that report, William Alonso pointed out the one-sided nature of Australian policy thinking and made the entirely heretical suggestion that Australia's largest cities were still small by world standards and unlikely to have passed the point where costs were outweighing benefits. Accordingly, justifying growth centres as contributors to national economic efficiency, rather than as an experiment in alternative lifestyles, was a dubious exercise.

The Committee of Commonwealth-State Officials on Decentralization also concluded that their detailed studies had "not produced clear evidence of the benefit or cost of continued metropolitan growth at a national viewpoint arising from continuing centralization of population and economic activity in the major coastal cities". Thus, it has not been proven that there are net economic costs associated with the large size of Melbourne and Sydney and their continued growth.

On the other hand, the economic benefits of city size have been understated in calculations and omitted from policy considerations. Yet these benefits are significant and well documented.

The effectiveness of the disposition of inputs is critical to economic performance, and large cities do tend to be more productive in the use of their inputs because of beneficial interactions arising from the spatial clustering of activity (commonly labelled "agglomeration economies") and creation of an environment conducive to the generation of changes in economic structure; greater specialization of functions, and the association of major innovative activities with the larger cities in a regional system. The product of these benefits is a positive correlation between incomes per capita and city size, higher activity rates of the male and, particularly, the female workforce, and lower unemployment in metropolitan locations. Shift and share analysis of Australian cities also indicates that metropolitan areas grow faster in metropolitan areas than if they were to grow at national average rates.

In summary, even adopting the narrow, static analysis of enumerating the socio-economic benefits and costs of large city size and growth, there is no reason to believe that Australian metropolitan areas are either too large or growing too rapidly.

**Economic Development and the Regional System**

When the argument is addressed in terms of processes of economic development and structural change, the frailty of the economic case for decentralization is even more patent. In tackling such an argument, the analysis of regional economic structure and the way it is changing over time becomes the challenge - as does the measurement of interregional flows. If understanding can be achieved in this area it will be possible to comment on the functional role of large cities in the regional system, rather than just their relative sizes and high cost elements. In particular, one could assess the regional impacts of the structural changes that were occurring in the system, and appreciate the interactions between national economic development processes and the pattern of regional development. The data on prevailing structural and interregional flows are, however, sparse in Australia. In addition, the problem has rarely been conceptualized in this manner.

There have been highly aggregated analyses of changes in employment structure by industry and by occupation. Input-output analysis has also been developed to a sophisticated level following Parker's pioneering study of the Western Australian economy. The work on employment change (except for Stillwell's shift and share) has been largely descriptive, however, while the input-output studies have employed single-region matrices and concentrated on central regions. Analysis of the evolving structure of the economies of the large cities and their contribution to development has been neglected. Similarly, except for the internal migration studies, interregional flows are poorly understood.

Major structural changes have been occurring in Western economies in recent years, and their impacts on employment structure and opportunity have been highlighted by the current recession. Briefly, technological change and innovation have been responsible for a shift from goods-producing to a producer services-providing economy. The new production functions require less labour, and the use of their inputs because of beneficial interactions arising from the spatial clustering of activity (commonly labelled "agglomeration economies") and creation of an environment conducive to the generation of changes in economic structure; greater specialization of functions, and the association of major innovative activities with the larger cities in a regional system. The product of these benefits is a positive correlation between incomes per capita and city size, higher activity rates of the male and, particularly, the female workforce, and lower unemployment in metropolitan locations. Shift and share analysis of Australian cities also indicates that metropolitan areas grow faster in metropolitan areas than if they were to grow at national average rates.

11 The proportion of the workforce employed in the manufacturing sector in Australia has declined from 28 per cent in the early 1960s to an estimated 20 per cent in 1976 (Ministerial statement by Senator Cotton, 1976).
problems, particularly for certain regions and certain occupational categories. For example, unskilled workers are especially at risk in inner Melbourne, as a result of both the economic development processes and the manner in which Melbourne has grown [13].

Effects of the interaction between economic development processes and urban and regional development patterns need to be considered when introducing policies aimed at shifting population and economic activity from one region to another. It cannot be assumed that these policies will be totally neutral in their effects on the processes of economic development. Similarly, the feasibility of such policies depends on their compatibility with emergent economic structures.

Some attempt has been made to tackle these questions by analyzing United States census data on the industry structure of Standard Metropolitan Statistical Areas (SMSAs) in 1950 and 1970 [18]. Scrutiny of employment structures per capita of working age population revealed a significant decline in the importance of manufacturing as a source of urban employment opportunity over the period. The converse of this phenomenon was an increase in the share of total metropolitan employment attributable to producer services. Hence, employment in finance, insurance and real estate, business services, and miscellaneous professional services was taken as a proxy for the economic development processes occurring between 1950 and 1970.

SMSAs were classified into stable and consistent groups by a combination of cluster analysis, principal components analysis, and discriminant analysis. Given the complexity of the problem being analyzed, the statistical "noise" encountered was reasonable, and the results were meaningful. Scrutiny of the proportion of employment in producer services, the impact of city size on economic development was found to be important in two ways: first as a threshold factor, and second as a causal or associative factor.

As a threshold factor, it was discovered that large city size in 1950 was strongly associated with a higher proportion of employment in producer services in 1970 (that is, a "producer services centre" developing). In fact, the probability of a city becoming a producer services centre in 1970 was four times less than the median size in 1950. Conversely, if the city was significantly less than the median size in 1950, the probability of its becoming a producer service centre in 1970 was four times less than average. Growth centres based on the rapidly developing employment sector of the economy thus face a threshold size barrier (of the order of a 500,000 population).

As an associative effect, city size significantly explained the proportion of total employment within producer service centres that was in the producer services sector - in fact it accounted for over 40 percent of this variance. Given the complexities involved in comparing city employment structures, this is a very high regression coefficient.

While Australian data were not used for the major analysis due to the small number of observations, the information was later reconciled with the U.S. material and tested in the regression analyses. The results indicated that the relationships held just as strongly in the Australian system of cities. Thus, it can be argued that economic development is a process that occurs, at least initially, within our larger cities, and its rate increases with the size of a city. The functional role of large cities as the context within which structural change takes place is emphasized in these results.

One may therefore view the Australian regional pattern of metropolitan dominance as a manifestation of the processes of economic development in a small (in population terms) country, rather than as an aberration because of its failure to achieve a uniform hierarchy. The same development processes are leading to contrasting regional patterns in the United States and Australia because of scale and population differences.

The implications for regional policy are that Australia needs to concentrate growth in the larger cities to whatever degree necessary to be consistent with national economic development and the desire to maintain the growth of per capita incomes. Clearly, decentralization could be justified on lifestyle and/or social grounds, but the claim for economic benefits from such a policy is undermined when the question is viewed in terms of the functional role of large cities in the economic development process. On economic grounds, regional and urban policy monies would be better directed to correcting the under-investment in metropolitan infrastructure and to assisting the adjustment of those segments of the rural population affected by structural and demand changes. The feasibility and desirability of non-metropolitan growth centres on economic performance criteria is questionable.

Conclusion

The most significant feature of Australian regional policy in the 1970s was the development of an important federal government intervention. Figure 1 demonstrates, financial support for the programs has been severely pruned by the newly incumbent Liberal Government. Despite this, federal intervention in urban and regional matters has been established and is continuing.

Underlying the Labour Government's regional policy was a national settlement strategy aimed at orderly development of new centres and the diversion of some population and economic activity away from the major cities. This paper has contended that these programs lacked a consistent economic strategy. Furthermore, even viewing non-metropolitan growth centres in isolation, there is no proven case that there is economic benefit to be gained from a decentralization policy. In fact, when one analyzes the functional role of large cities in the processes of national economic development, there is a positive economic case against decentralization policy in Australia.

Irrespective of the future federal levels of funding of regional policy, the economic implications of metropolitan and non-metropolitan growth centres should be considered in more detail. Justification of a given program should be based on more goal-oriented grounds than the efficiency with which the program can be implemented.  

13Financial support for Monaro has been withdrawn, while funding of Bathurst-Orange, Macarthur, and Albury-Wodonga continues, although at a greatly reduced rate. Many regionally-oriented programs (such as the Area Improvement Program, the R.E.D. scheme, and the Australian Assistance Plan) have lost government support. It is also worth noting that the Prime Minister, Mr. Fraser, has declared himself in favour of a scattered distribution of regional incentives. The official policy, however, continues to emphasize concentration on a few growth centres.
References


