

20 November 1998

Mr John Cosgrove  
Productivity Commission  
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ACT 2617

Dear John

**Impact of Competition Policy Reforms on Rural and Regional Australia**

Please find attached a copy of the paper I mentioned during yesterday's UNE meeting with the Productivity Commission.

In sending this paper, I should point out that I am generally supportive of the NCP. I merely want to emphasise, as does the NCP, that there might be circumstances where restrictions on competition might be in the public interest. My point is that a case can be made to the effect that inequality is increasing in Australia and that some rural areas have a large representation of those groups least able to cope with change. I recognise that the time series used for social indicators in the attached paper relates 1976-1991 and that this predates the introduction of the NCP. However, I think the paper does reveal something of the context in which the NCP is being applied.

Yours sincerely



Jim Walmsley  
Professor

## Is Australia Becoming More Unequal?

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**ABSTRACT** Several researchers have argued that Australia is becoming more unequal. This paper briefly explores the reasons why this might be the case before undertaking a social indicator based examination of whether income inequality extends to well-being generally. Using 176 regions and eight social indicators and focusing on the period 1976–91, the paper shows that inequality has increased, particularly in the last intercensal period. The pattern of ‘winning’ and ‘losing’ is a complex one that suggests increasing differentiation between regions. This finding is set in the context of the social differentiation inherent in postmodern society. Regional policy based on the devolution of spending and responsibility is advocated as one way of helping disadvantaged regions.

**KEY WORDS** *Inequality; postmodernism; regional policy; social indicators; social differentiation; well-being.*

The idea that Australia is becoming more unequal is attracting considerable attention. The notion cropped up during the 1996 federal election campaign, both implicitly in the debate about Medicare and help for families, and explicitly, as when the Business Council of Australia (1996) claimed that living standards in Australia had declined by 13 per cent since 1981–82, thereby challenging Commonwealth Government statements that Australians had become better off since the Labor Party came to power in 1983. Increases in inequality have also been discussed in other advanced Western economies. Low (1995) compares growing social polarisation in the US, UK and Germany while Woodward (1995, p.75) points out, in relation to the UK, that debate about growing divisions in society has proved ‘ever popular among journalists, academics and other social commentators’. For the most part, the key indicator of inequality has been *income inequality*. For example, Withers *et al.* (1995, p.vii) noted that ‘changes in the distribution of earnings in the 1980s and into the 1990s have been a concern both in Australia and overseas, with an increase in measured inequality of incomes in most developed countries’.

This view is backed up by a considerable amount of research. The National Centre for Social and Economic Modelling has calculated that in 1990 the richest 10 per cent of Australian families received 23 per cent of national income (up 1.7 per cent on the share in 1982), whereas in 1990 the poorest 10 per cent received less than 3 per cent of national income (down 0.2 per cent on the 1982 figure) (see Gittens 1994b; Singer 1995b). Potentially more significant from a geographical point of view was the work of Gregory and Hunter (1995) which showed that the *economic distance* between different parts of the city increased over the period 1976–91. This analysis focused on the mean income of households and individuals in 9483 collectors’ districts (CDs) in cities over

100 000 population, the CDs being grouped into percentile bands on the basis of a principal components based socio-economic classification. The results were striking. Over the period 1976–91, the mean income of households in the top 5 per cent of CDs increased by 23 per cent whereas in the bottom 5 per cent of CDs it fell by 23 per cent (in today's prices). The reasons for this widening gap differed over time, according to Gregory and Hunter. Between 1976 and 1981 it can be explained by the fall in mean incomes in lower socio-economic areas brought about by recession and higher levels of unemployment, but between 1981 and 1991 it arose because of a marked rise in mean incomes in higher-status areas. In the view of Gregory and Hunter, one consequence of this change is the emergence of 'urban ghettos' of unemployment. Certainly, they offer *prima facie* evidence of increasing disparities. In the top 5 per cent of CDs, the number of employed males as a proportion of the total population fell by 20 per cent between 1976 and 1991, largely as a result of retirement and increased training and post-secondary education. In the bottom 5 per cent of CDs over the same period, the proportion fell by 42 per cent. The case of female workers is just as striking. In the top half of CDs, the proportion of women employed increased by 10 per cent over the period 1976–91, while in the bottom half of CDs the proportion fell by 40 per cent.

Gregory and Hunter (1995, p.1) clearly saw a polarising society when they observed that 'it may be increasingly true to say that one half of Australia does not know how the other half lives'. They even speculated on a link between poverty and social pathology. Others have been more specific. Falk *et al.* (1993, pp.viii–ix) noted the 'appearance of some ominous inter-relationships between social inequality, a poor urban environment and lack of access to jobs' and went on to claim, notwithstanding the absence of such phenomena in Australia, that 'when the underlying causes of a deprived "underclass" are not addressed, social disruption, often manifested as "violent riots", results'. Understandably, this sort of view has attracted a good deal of media coverage, especially in Sydney where it has been claimed that the historical north–south divide between 'haves' and 'have nots' has been replaced by an east–west divide (Connell 1995; Horin 1995). However, as in the political arena, the prevailing academic viewpoint has not gone unchallenged. Saunders (1993, p.1), for example, noted that:

despite its popularity as a catch-cry, the available evidence does not conform with the view that 'the rich are getting richer and the poor are getting poorer'. Instead, the evidence shows that virtually all groups experienced increased real incomes in the 1980s.

Despite this, he went on to concede that 'the increases for those with higher incomes have been greater than for those on middle or low incomes'. In short, the 'rich have got richer, but so too have most of the poor, albeit to a lesser extent' (p.1). Thus, the message seems to be that inequality is increasing but that it is not a cause for concern. A similar view has come from Gittens (1994a) who reported that the working poor (defined as all wage-earning families with children on less than 75 per cent of average weekly earnings) had a 10 per cent real increase in after-tax income during the period 1983–92. At the same time, admittedly, the rich became richer, largely as a result of a cut in the top income-tax rate from 60 per cent to 47 per cent.

There are, of course, dangers in using income as a measure of inequality. For example, Withers *et al.* (1995, p.x) stressed that trends in income inequality have varied over time: for instance, 'between 1973–74 and 1978–79 there was a reduction in income inequality in Australia mainly due to the increased availability and level of

welfare payments made to the poorest groups'. Furthermore, they implied that income itself might not be a very satisfactory indicator of overall well-being because there is 'only a weak tendency for disadvantage in terms of income to spill over and affect other areas of life, such as social activities, happiness, health and a general sense of optimism' (Withers *et al.* 1995, p.xi). Given that there is a relatively high level of social mobility in Australia, Withers *et al.* concluded that the nation has low levels of inherited advantage and disadvantage when compared to other industrialised countries. Such a conclusion is largely based on the work of Travers and Richardson (1993) and their study of 'material well-being', a term used to describe those aspects of human well-being that can be affected by a change in the level of production of goods and services. Looking at 'full income' (money income plus those things, like non-cash social services, that are a source of material well-being but which are not traded in the market place), Travers and Richardson found very little correlation between income and happiness. They concluded that Australia is a relatively egalitarian society with little evidence of polarisation into two nations.

In short, there are two views on inequality in Australia. One argues that it is evident from income differentials that it is increasing sharply, and that it is a cause for social concern. The other is that it probably exists and might be increasing but is relatively inconsequential by international standards because of intergenerational social mobility and because income differentials are not significantly correlated with other aspects of well-being. This paper reflects on this situation and explores the reasons why inequality might be increasing, argues for a broader approach to the study of well-being than that provided by analyses of income distribution, provides a regional summary of variations in well-being, and sets this regional picture in the context of the social differentiation inherent in postmodern society, before considering the policy implications that flow from such differentiation.

### **Possible causes of increasing inequality**

The reasons why inequality might be increasing are many and varied. Principal among them are the changes that have occurred in the labour force. Persistent high unemployment has occurred simultaneously with a rise in two-income households leading to the emergence of both households with enforced leisure and income-rich/time-poor households. At the same time, high unemployment, especially among low-skilled workers, has put downward pressure on wages, particularly when there has been a tendency under the Accord (between unions and the former Federal Labor Government) to trade off pay rises for job creation. Similarly, an increase in the number of people pursuing training and qualifications has put downward pressure on starting salaries as the supply of workers has outstripped demand (Withers *et al.* 1995). This has served to increase income differentials between starting and late career salaries. There has also been a shedding of labour because of a commitment to productivity and enhanced competition. For example, over the period 1987-93, public utilities in Australia (electricity, gas, water, urban transport, rail, ports, Australia Post, and Telecom) increased labour productivity by 43 per cent, but with a labour force that was 18 per cent smaller (Steering Committee on National Performance Monitoring 1993). This drive for competitiveness was given impetus in the Labor Government's 1991 Industry Statement which sought to reduce tariffs by the year 2000 to 15 per cent in the case of passenger vehicles, 25 per cent in the case of textiles, clothing and footwear, and 5 per cent for general tariffs. Competition was further emphasised in the 'Hilmer Report'

which suggested that a focus on competitiveness could lead ultimately to a 5 per cent increase in gross domestic product (GDP) (Independent Committee of Inquiry into Competition Policy in Australia 1993).

The drive for competitiveness in contemporary Australia has been likened to a 'steamroller' (Linge & Walmsley 1995). The rhetoric was clearly spelt out by the then Prime Minister in a speech in Singapore on 17 January 1996 when he argued that it was 'imperative for Australia to dismantle the ring fence of tariffs and protection to open our country to competitive breezes, and in so doing, lift our gaze to the world' (Keating 1996). This sort of reasoning has a compelling and almost irresistible logic. For example, a focus on benchmarks of international best practice in the field of public utilities can be used to show that Australia lags behind many 'competitors' (Bureau of Industry Economics 1995). To argue against a drive for competitiveness is, therefore, to argue against 'the national interest', as constructed by the nation's political leaders, despite the fact that improvements in competitiveness seem inevitably to result in job losses and thereby contribute to increased inequality.

Given this rhetoric, it is not surprising that the Coalition of Australian Governments (COAG) agreed in April 1995 to implement a national competition policy that aimed to strip public utilities of their monopoly status in order to make them more efficient. The attraction to the States was probably the promise of \$600 million over four years from the windfall expected to come from increased competition in public utilities. This was made up of \$200 million in 1997-98 if gas and electricity supply have been reformed, \$200 million in 1999-2000 if water supply has been reformed, and \$200 million in 2000-01 if all other reforms are in place. In practice, these sums are relatively insignificant given the overall extent of State spending (\$72 929 million in 1992-93) (Commonwealth of Australia 1994). The real significance of the agreement is that it locked into the competitive ethos those parts of the Australian federal system that are most responsible, under Section 51 of the Constitution, for the provision of social services (for example, health and schooling) and thus most able to have a bearing on levels of well-being. By entrenching the mindset of 'competitiveness', the agreement serves to downplay social policy, particularly when it is coupled with the pervasiveness of economic rationalism in the public service, pleas for small government, managerialism, and metaphors of 'level playing fields' (see Pusey 1991; Stewart 1994). There seems little recognition of the fact that competition might bring both unemployment, and therefore greater demands on welfare services, and a lower tax revenue and thus the possibility of a restriction on the availability of welfare funding.

Despite the vagaries of economic growth in Australia in the last decade, some sectors have fared reasonably well. Notably, there has been significant growth in the quaternary sector. However, not all groups and areas in society have benefited from this growth. Around the globe, 'world cities' have been the winners. So, too, in Australia. On 18 November 1995 the *Sydney Morning Herald* reported that 150 international corporations had moved their Asian regional headquarters to Sydney. Brisbane and Perth might have the fastest population growth rates among Australia's major cities, but it is Melbourne and particularly Sydney that are growing fastest in terms of capital investment and economic activity (O'Connor & Stimson 1995). In other words, economic growth is favouring some areas rather than others and thereby contributing to inequality. At the same time, growth in the hi-tech end of the labour market has primarily helped educated workers and, as a consequence of their involvement in a global economy, their incomes have grown much more quickly than those of low-skilled workers. Jones (1995, p.205) has even speculated that there might come a

time when work will be the privilege of an elite minority, just as leisure was formerly the privilege of such a minority.

The changing nature of the migrant in-take is another factor to have contributed to inequality. Family reunion policies have enabled former refugees to bring to Australia relatives from non-English-speaking backgrounds. Many of these, faced with language problems and the non-recognition of qualifications, have found themselves unemployed. There is, of course, nothing wrong with such a reunion policy. Indeed, it has been popular among migrant groups, including those from 'traditional' source areas in Europe, for many years. Moreover, the problem faced by such migrants might be a temporary one and they might in the longer term become better adapted to the demands of the workplace than Australian-born employees. There is nevertheless a distinct geographical pattern to recent immigration flows with almost half the new arrivals settling in Sydney. It is inevitable therefore that the burden of migrant unemployment will be concentrated in the short term in certain suburbs of that city.

State financial problems, a legacy of the financial extravagance of the 1980s, are also impacting on inequality, not least because financial constraints mean that there is less scope for welfare policies targeted at the disadvantaged. For example, the collapse of Tricontinental (a merchant bank that was an offshoot of the State Bank of Victoria), the Victorian Economic Development Corporation, and Pyramid (a Geelong-based building society) cost Victorian taxpayers about \$4000 million. In South Australia, the collapse of the State Bank cost \$3000 million. At the heart of the problem was imprudent lending for property investment at a time when monetary policy was relaxed in order to sustain economic activity after the 1987 share market collapse. When the Commonwealth Labor Government induced a recession in 1989 by raising interest rates, many property investments were found to be overvalued and unsaleable. The financial institutions in question therefore found themselves with massive debts. The Pyramid group collapsed, while elsewhere rescue packages were mounted, as when the Commonwealth Bank bought out the entire State Bank of Victoria. At the beginning of the 1990s, more than one-fifth of Victoria's government revenue went to service debt. Cut-backs, productivity savings and contracting out all helped to remedy the situation, but at the cost of jobs and a diminished government commitment to social policy. In many respects, state growth rates reflect this. In the eight years to 1992-93, GDP increased nationally by 25 per cent: in Western Australia it grew by 42 per cent, in Queensland by 35 per cent, in New South Wales by 24 per cent, in Victoria by 18 per cent, and in South Australia and Tasmania by 15 per cent (Gittens 1995a). Victoria's debt levels as a proportion of its economy are still twice those of New South Wales (Korporaal & Skulley 1995). Not surprisingly, several attempts have been made to make the expenditure dollar go further: the salaries of senior public servants are partly performance related; tendering has been introduced for local services; schools operate on global budgets; and case-mix has been introduced into hospitals.

A final cause of increased inequality is 'the rural crisis'. In some senses this is an overly simplistic expression that covers a whole basket of problems besetting the farm sector and associated country towns. Drought, farmer training and technological change are all implicated, but possibly the most important factor is the decline in farmers' terms of trade. The productivity of broad-acre farms has increased by more than 2 per cent per annum for the last twenty years, but this has been more than offset by the increased costs of inputs. Allard (1996, p.84) put it strikingly: '17 yearling steers bought a Holden ute in 1975. Now you need 50 steers'. Taking 1987-88 as a benchmark of 100, the net real value of farm production averaged 191 in the 1950s. In

the 1990s it had fallen to 51 because of the downward slide in commodity markets; dumping by Russia and Latin American countries; subsidy wars and competition for market share (notably the European Community's Common Agricultural Policy and the US's Export Enhancement Program); a decline in the value of the Australian dollar which hurt exporters; and a differential in the effective rate of protection afforded rural sectors (12 per cent in Australia compared to an OECD average of 44 per cent) (Allard 1996).

Some of the reasons behind increases in inequality are expressly geographical. Differences between states in financial health and the differing fortunes of agricultural regions are examples. Others have geographical consequences in the sense that some areas prosper while others languish. There is nothing new about such a situation of 'winners' and 'losers'. Wood (1991), for example, stressed that the tariff reductions embedded in the Commonwealth Government's 1991 Industry Statement would badly hit areas with a high proportion of textile, clothing and footwear workers. Conversely, regions with a strong representation of export-oriented mining and agriculture would fare well. Generally, however, the geographical component of changes in inequality has not been considered. This is particularly true of Gregory and Hunter's (1995) work which, although focusing on CDs, gave no indication of whether the CDs in the various percentile bands were contiguous or scattered. What follows is an attempt to rectify this situation by providing a time series and social indicator based examination of well-being at the regional scale.

### **Indicators of inequality and the regional pattern of well-being**

If inequality might be increasing in Australia, it is important to ask whether that inequality displays a geographical pattern. If society is becoming more polarised, is the *geographical* distance, as well as the *economic* distance, between the 'haves' and 'have nots' becoming more marked? This is a profound question because it influences how problems are tackled in the political arena, notably the mix of regional and structural policies. There are, however, no simple answers. Some insight can nevertheless be gained by using social indicators to monitor changes in well-being, much in the manner pioneered in Smith's (1977) work on territorial social indicators. The use of such indicators has a long history in geography, not least in Australia where they have been used to assess regional variations in life chances (Walmsley 1980).

Basically, social indicators are statistics that assess the condition of society, but there is no consensus on what comprises a definitive set of social indicators. Some workers have adopted an unidimensional approach and focused on individual indicators such as unemployment rates; others have devised lists of indicators (either *a priori* or based on content analyses of commentaries on what is important in society), before combining these indicators into a single index through some form of statistical manipulation (see Walmsley & Sorensen 1993). This multidimensional approach has the advantage of covering a greater range of issues. It was therefore adopted in the present study which sought to develop indicators that identified regions containing significant proportions of people who might face difficulties or incur costs in coping with life: those with no qualifications, limited schooling, non-English-speaking backgrounds and/or child-care needs; the unemployed; the frail aged; and those subject to the private rental market and thus at risk of paying a high proportion of their income for accommodation. These indicators, set out in Table 1, are available for the last four censuses (1976, 1981, 1986, 1991), thereby providing time series. It is important to

TABLE 1. Social indicators

1. Unemployed	Percentage of the labour force unemployed
2. Single parent families	Single-parent families as a percentage of total families excluding single-person households and communes
3. Frail aged	Population aged 75 + as a percentage of the total population
4. Preschoolers	Population aged 0-4 as a percentage of the total population
5. Limited education	Population who either never attended school or left school prior to 15 years of age as a percentage of the total population aged 15 +
6. No qualifications	Population with no qualifications as a percentage of the total population aged 15 +
7. Non-English speaking background (NESB)	Population from NESB and resident for < 5 years as a percentage of the population aged 5 +
8. Private renters	Households renting from other than public housing authorities as a percentage of all households

note, of course, that the use of eight variables reveals spatial associations between different indicators and not the incidence of multiple disadvantage suffered by individuals. The indicators were nonetheless outcome-oriented in that they described the position of individuals in society. The use of these indicators in no way labels particular groups as 'problem' cases; rather they are significant because of the requirements they place either on individuals' own resources or on public and private welfare services. An area with a high proportion of such groups might be expected to be one where the demand for services is high and where, as a result, resources are stretched. Likewise, it must be acknowledged that the social indicators in no way offer a direct measure of such components of well-being as human happiness. Nevertheless, they provide a broader interpretation of 'well-being' than that afforded by income measures alone.

In order to identify regional variations in well-being as shown by the indicators set out in Table 1, Australia had to be divided into geographical units, subject to two constraints: the units had to be the same over the 1976-91 period to enable comparisons to be made and change to be monitored; and the units had to be sufficiently small in area to enable place-to-place differences to be identified without being so small as to make the number burdensome. In all, 176 regions were identified, based on the statistical subdivisions identified by the Australian Bureau of Statistics, adjusted in some major urban areas (for example, Brisbane and Canberra) and to take stock of boundary changes. There were 45 regions in Victoria, 42 in NSW, 25 in WA, 23 in Queensland, 20 in SA, eleven in Tasmania and five in both the ACT and the Northern Territory (Figure 1).

The eight indicators in Table 1 were combined to form a single index for each of the four censuses using the standard score additive model (Walmsley 1980). This involved pooling and then standardising the data for each indicator prior to computing a summary statistic for each year. In this way a temporal component was introduced into the index. The use of a summary statistic suits the aim of the present study, although it needs to be noted that a change in the value of the overall indicator can result from a change in any of the components. Care therefore needs to be exercised in interpreting the results, presented in Table 2, such that high positive scores indicate low levels of well-being. Close inspection of this table shows a complex picture. Overall, the mean



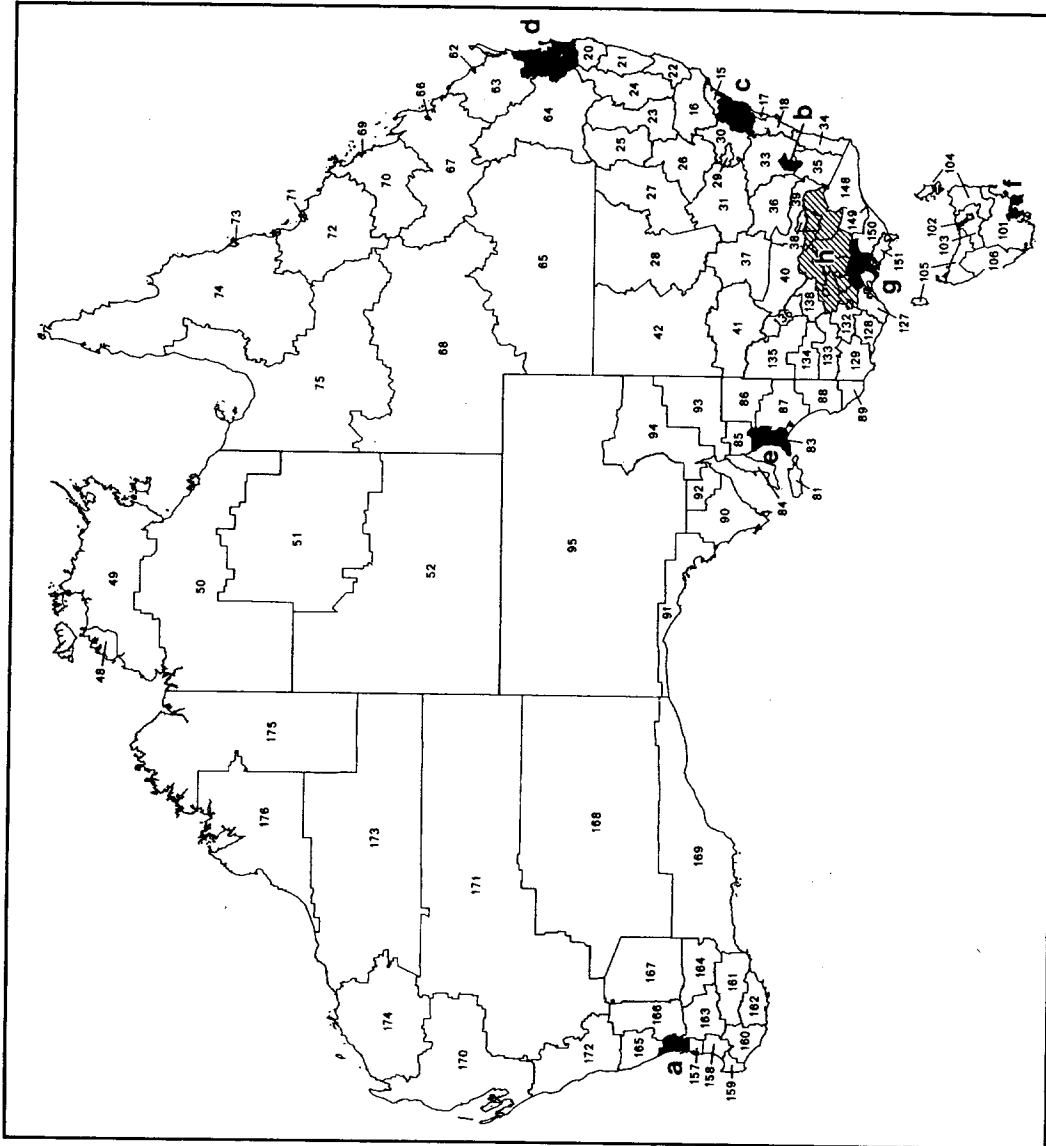


FIGURE 1a. The regions of Australia. See Figure 1b for details of areas shown in black.

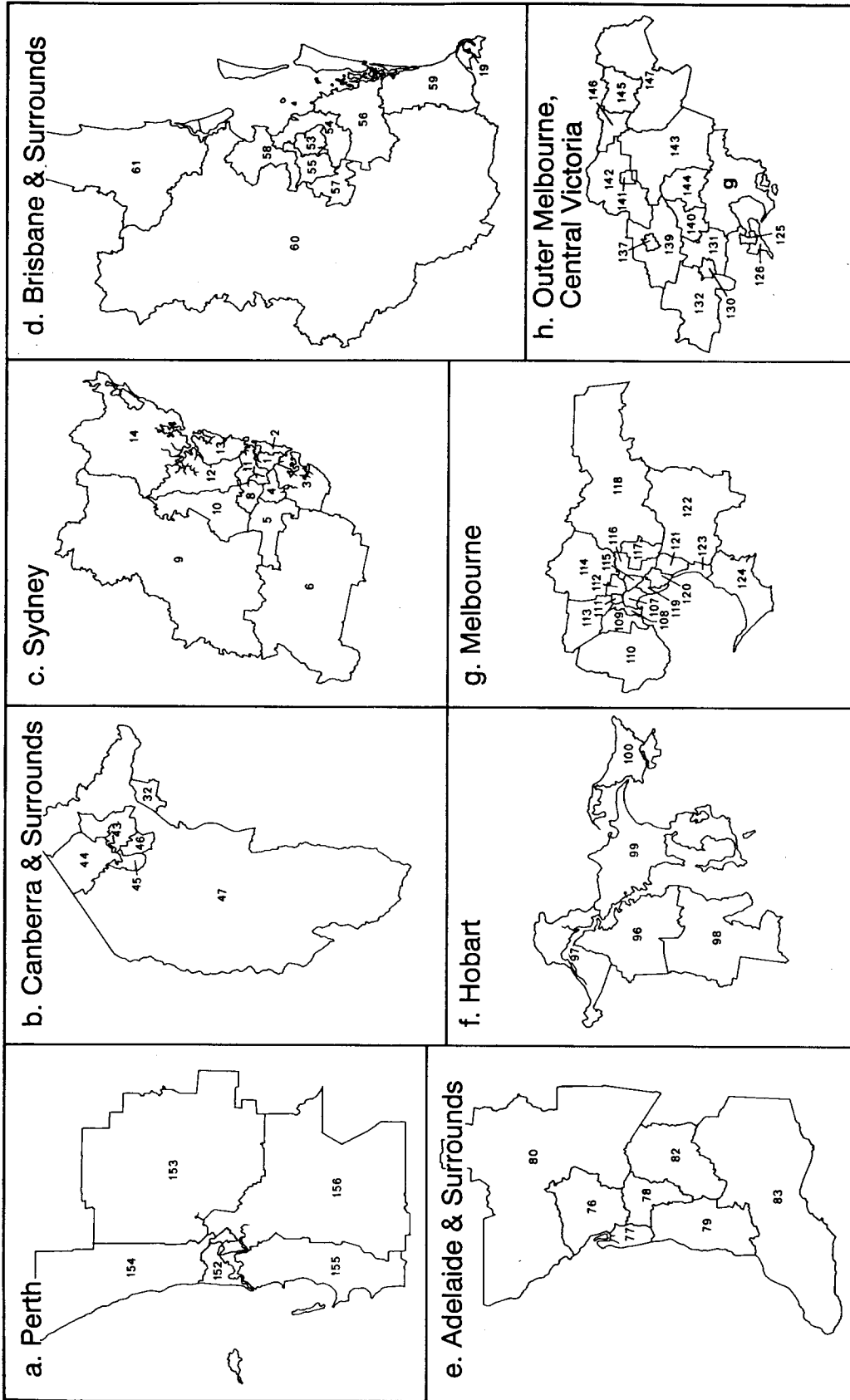


FIGURE 1b. The regions of Australia: detailed inserts to Figure 1a.

TABLE 2. Regional scores on the index of well-being

Region	State	No.	Index 1976	Index 1981	Index 1986	Index 1991	Regional Effects*
Inner Sydney	NSW	1	6.27	3.78	3.16	4.87	3.97
Eastern Sydney	NSW	2	0.06	-0.45	-1.02	1.48	-0.09
St George-Sutherland	NSW	3	-2.12	-4.25	-4.61	-1.56	-3.26
Canterbury-Bankstown	NSW	4	1.61	-0.04	1.05	5.42	1.46
Fairfield-Liverpool	NSW	5	3.67	2.53	3.91	7.70	3.92
Outer South-west Sydney	NSW	6	-0.82	-1.19	-0.94	0.45	-0.72
Inner Western Sydney	NSW	7	2.73	0.53	0.12	3.95	1.74
Central Western Sydney	NSW	8	1.08	-0.68	-0.24	4.16	0.55
Outer West Sydney	NSW	9	0.16	-2.06	-2.60	-1.61	-1.88
Baulkham Hills-Blacktown	NSW	10	-0.44	-3.53	-3.64	-0.72	-2.48
Lower North Sydney	NSW	11	-2.93	-3.17	-3.73	-0.50	-2.94
Hornsby-Ku-ring-gai	NSW	12	-6.26	-7.56	-7.89	-4.81	-6.80
Manly-Warringah	NSW	13	-2.80	-4.38	-5.34	-3.17	-4.13
Gosford-Wyong	NSW	14	0.28	-0.59	0.31	1.23	0.08
Newcastle	NSW	15	-1.13	-2.41	-1.15	0.02	-1.23
Hunter	NSW	16	-0.55	-1.91	-1.30	-0.01	-1.00
Wollongong	NSW	17	0.67	-1.71	-0.97	0.19	-0.73
Illawarra & Jervis Bay	NSW	18	-1.32	-1.23	-0.41	0.37	-0.78
NSW Gold Coast	NSW	19	1.16	0.62	2.48	4.07	1.99
Tweed	NSW	20	0.41	0.61	2.67	3.17	1.53
Clarence	NSW	21	0.23	0.22	2.24	3.23	1.37
Hastings	NSW	22	0.04	-0.04	1.64	2.47	0.86
Northern Slopes	NSW	23	-1.00	-1.74	-0.61	0.24	-1.06
Northern Tablelands	NSW	24	-0.63	-0.88	-0.55	0.83	-0.38
North Central Plains	NSW	25	-0.14	-0.62	0.12	1.52	0.09
Central Macquarie	NSW	26	-0.61	-0.73	0.02	1.47	0.01
Macquarie-Barwon	NSW	27	-0.31	-0.23	1.19	2.29	0.67
Upper Darling	NSW	28	2.50	2.77	2.75	3.67	2.86
Bathurst-Orange	NSW	29	-1.85	-1.47	-1.28	0.05	-1.07
Central Tablelands	NSW	30	-1.38	-2.12	-1.93	-1.12	-1.64
Lachlan	NSW	31	-0.87	-0.78	-0.08	1.15	-0.17
Queanbeyan	NSW	32	3.65	1.75	-1.31	1.12	1.08
Southern Tablelands	NSW	33	-1.69	-2.58	-2.70	-1.96	-2.19
South Coast	NSW	34	-1.18	-0.58	0.11	1.58	0.14
Snowy	NSW	35	-2.16	-5.45	-5.32	-6.32	-4.94
Central Murrumbidgee	NSW	36	-1.28	-1.02	-0.81	0.54	-0.60
Lower Murrumbidgee	NSW	37	1.54	-0.78	-0.24	1.30	0.19
Albury	NSW	38	-0.57	-0.84	-0.79	0.73	-0.41
Upper Murray	NSW	39	-0.45	-1.94	-1.92	-1.18	-1.48
Central Murray	NSW	40	-0.82	-2.33	-1.58	0.04	-1.11
Murray-Darling	NSW	41	1.86	-0.67	-0.19	1.27	0.20
Far West	NSW	42	-0.62	-1.13	1.04	2.52	0.34
Central Canberra	ACT	43	-4.27	-4.63	-5.21	-0.61	-4.34
Belconnen	ACT	44	-1.92	-3.94	-6.28	-3.87	-4.26
Weston Creek	ACT	45	-2.46	-6.51	-8.25	-5.40	-6.31
Woden Valley	ACT	46	-5.53	-7.54	-7.84	-4.22	-6.43
Tuggeranong	ACT	47	-2.07	-3.00	-5.51	-3.82	-3.77
Greater Darwin	NT	48	-0.62	-0.84	-2.01	0.62	-0.68
Top End	NT	49	5.94	3.66	5.92	4.70	4.91
Victoria & Gulf	NT	50	4.28	2.67	0.57	2.56	2.26
Barkly	NT	51	4.12	-0.14	2.89	4.89	3.55
Alice Springs	NT	52	2.28	1.39	1.37	1.80	1.83

TABLE 2. (Continued)

Region	State	No.	Index 1976	Index 1981	Index 1986	Index 1991	Regional Effects*
Inner Brisbane	Qld	53	-0.07	1.10	0.63	2.95	1.31
Outer Ring East Brisbane	Qld	54	-0.39	-0.83	-0.70	2.04	-0.31
Outer Ring West Brisbane	Qld	55	-4.22	-5.99	-6.56	-4.65	-5.67
Logan & South-east Brisbane	Qld	56	1.01	-0.27	-0.73	0.02	-0.05
Ipswich & West Brisbane	Qld	57	0.98	0.56	0.40	1.61	0.82
Redcliff & North Brisbane	Qld	58	0.86	0.06	-1.03	-0.21	-0.04
Gold Coast	Qld	59	0.10	0.18	1.09	2.35	0.91
Moreton	Qld	60	1.09	0.92	0.47	0.59	0.91
Sunshine Coast	Qld	61	0.00	0.22	2.70	2.44	0.97
Bundaberg	Qld	62	1.40	2.15	3.36	4.48	2.96
Wide Bay	Qld	63	1.44	1.39	1.95	2.65	1.67
Darling Downs	Qld	64	0.50	0.78	1.04	1.93	1.00
South-west	Qld	65	2.15	1.72	0.68	1.55	1.54
Rockhampton	Qld	66	1.09	1.44	1.22	2.81	1.68
Fitzroy	Qld	67	0.77	-0.48	0.26	0.15	0.26
Central West	Qld	68	0.79	0.41	-0.53	-0.16	0.26
Mackay	Qld	69	0.86	1.62	2.14	2.56	1.74
Mackay Rural	Qld	70	-0.11	-0.73	-0.01	-0.61	-0.31
Townsville	Qld	71	0.01	0.58	0.42	1.61	0.67
Northern	Qld	72	1.32	0.54	1.34	1.19	1.04
Cairns	Qld	73	0.90	0.42	1.65	1.38	0.77
Far North	Qld	74	3.65	2.00	2.83	2.24	2.86
North-western	Qld	75	1.49	0.01	0.61	0.74	0.76
North Adelaide	SA	76	-0.92	-1.38	-1.43	0.94	-0.96
West Adelaide	SA	77	2.10	1.95	1.91	4.61	2.38
East Adelaide	SA	78	0.67	-0.57	-1.60	-0.54	-0.64
South Adelaide	SA	79	-2.34	-2.45	-3.09	-1.15	-2.42
Barossa	SA	80	1.14	-0.26	-1.57	-1.96	-0.46
Kangaroo Island	SA	81	-1.56	-1.68	-0.58	2.32	-0.68
Onkaparinga	SA	82	0.02	-1.04	-3.09	-2.12	-1.62
Fleurieu	SA	83	0.36	-0.32	-0.25	1.18	0.13
York	SA	84	0.93	1.35	1.75	3.55	2.00
Lower North	SA	85	0.82	0.51	0.78	2.37	1.08
Riverland	SA	86	1.87	0.09	0.17	1.85	0.67
Murray Mallee	SA	87	1.51	0.96	1.42	2.82	1.53
Upper South-east	SA	88	-0.56	-1.75	-1.22	0.28	-0.81
Lower South-east	SA	89	1.14	-0.36	-0.24	0.83	0.14
Lincoln	SA	90	0.68	0.12	0.18	2.25	0.60
West Coast	SA	91	0.66	1.43	0.15	2.26	0.86
Whyalla	SA	92	-2.04	-2.01	-0.24	0.24	-1.24
Pirie	SA	93	1.39	0.95	0.54	2.85	1.28
Flinders Ranges	SA	94	1.16	-0.09	-0.39	1.02	0.20
Far North	SA	95	-0.35	2.79	0.53	0.33	0.22
Central Hobart	Tas	96	-1.56	-0.75	-1.44	1.70	-0.65
North Hobart	Tas	97	1.44	3.37	4.35	8.40	4.30
Kingsborough	Tas	98	-4.21	-3.42	-4.80	-3.05	-4.26
Clarence	Tas	99	-2.60	-2.15	-3.18	-1.00	-2.43
Sorell	Tas	100	-1.61	0.35	-1.17	0.64	-0.60
Southern	Tas	101	0.74	0.78	0.29	1.14	0.64
Launceston	Tas	102	-1.68	-0.65	-0.69	1.47	-0.22
Tamar	Tas	103	0.97	0.36	-0.30	0.21	0.46
North-east	Tas	104	1.59	1.24	1.40	2.48	1.53
North-western	Tas	105	-0.48	0.06	-0.31	1.41	0.21

TABLE 2. (Continued)

Region	State	No.	Index 1976	Index 1981	Index 1986	Index 1991	Regional Effects*
Western	Tas	106	1.14	-0.49	-0.42	0.51	-0.01
Central Melbourne	Vic	107	4.52	4.68	2.83	6.76	4.71
West Inner Melbourne	Vic	108	4.81	2.47	2.06	6.76	3.75
West Outer Melbourne	Vic	109	4.49	-0.85	-2.17	2.63	0.53
West Fringe Melbourne	Vic	110	0.76	-2.37	-3.86	-0.73	-1.91
North Inner Melbourne	Vic	111	6.83	2.94	2.16	6.99	4.61
North Middle Melbourne	Vic	112	2.94	0.24	-0.01	4.74	1.70
North Fringe Melbourne	Vic	113	1.74	-1.83	-2.71	2.33	-0.11
North Outer Melbourne	Vic	114	0.79	-3.94	-5.32	-2.01	-3.33
East Inner Melbourne	Vic	115	-1.98	-3.22	-4.20	-0.55	-2.49
East Middle Melbourne	Vic	116	-3.57	-6.68	-7.14	-2.84	-5.12
East Outer Melbourne	Vic	117	-2.21	-3.87	-5.17	-1.47	-3.02
North-east Fringe Melbourne	Vic	118	-0.81	-2.93	-4.94	-2.71	-3.18
South Inner Melbourne	Vic	119	-0.59	-1.93	-2.82	1.05	-1.15
South Outer Melbourne	Vic	120	-0.08	-1.68	-1.80	3.00	-0.77
South-east Inner Melbourne	Vic	121	2.42	0.49	0.34	6.20	1.56
South-east Outer Melbourne	Vic	122	0.31	-2.19	-3.53	-0.68	-1.79
Mornington Peninsula Inner	Vic	123	-1.19	-1.53	-2.81	1.54	-1.25
Mornington Peninsula Outer	Vic	124	-1.04	-0.87	-2.00	1.16	-0.84
Geelong	Vic	125	-1.16	-0.88	-1.62	1.59	-0.80
East Barwon	Vic	126	-2.83	-2.46	-3.77	-1.52	-2.85
West Barwon	Vic	127	0.64	-1.21	-1.90	-0.11	-1.02
Hopkins	Vic	128	-0.33	-0.30	-1.27	1.58	-0.20
Glenelg	Vic	129	0.73	-0.90	-2.01	0.79	-0.41
Ballarat	Vic	130	-1.13	0.24	-0.54	2.42	0.30
East Central Highlands	Vic	131	0.05	-0.90	-1.73	-0.32	-0.87
West Central Highlands	Vic	132	-1.03	-0.91	-1.24	0.74	-0.63
South Wimmera	Vic	133	0.45	-0.71	-1.20	0.60	-0.41
North Wimmera	Vic	134	0.62	-0.15	-0.17	1.37	0.29
West Mallee	Vic	135	1.44	-0.01	0.54	3.27	1.11
East Mallee	Vic	136	1.44	-0.10	0.47	2.29	1.04
Bendigo	Vic	137	-0.20	0.45	0.17	3.23	0.76
North Loddon-Campaspe	Vic	138	-0.07	-0.73	-0.51	1.38	-0.16
Central Loddon-Campaspe	Vic	139	-0.65	-0.14	-0.23	2.15	0.26
South Loddon-Campaspe	Vic	140	-0.50	-2.91	-4.88	-3.51	-3.45
Shepparton	Vic	141	2.02	0.82	1.39	3.75	1.83
North Goulburn	Vic	142	1.08	-1.19	-1.08	0.30	-0.69
South Goulburn	Vic	143	-0.78	-2.01	-2.58	-0.53	-1.63
South-west Goulburn	Vic	144	0.80	-1.50	-3.10	-0.48	-1.35
Wodonga	Vic	145	-1.51	-1.19	-2.24	-0.12	-1.49
North Ovens-Murray	Vic	146	0.37	0.37	-0.52	1.15	0.09
South Ovens-Murray	Vic	147	1.26	-2.79	-3.48	-3.77	-2.69
Gippsland Snowy	Vic	148	0.50	0.34	-0.13	1.60	0.40
Macalister-Avon	Vic	149	0.95	-1.03	-1.09	0.75	-0.49
West Gippsland	Vic	150	-0.12	-2.52	-2.30	0.25	-1.36
South Gippsland	Vic	151	0.53	-1.51	-1.37	0.97	-0.54
Central Perth	WA	152	0.43	2.07	2.21	4.02	2.59
East Perth	WA	153	-0.09	-2.03	-2.36	-0.37	-1.56
North Perth	WA	154	0.04	-1.04	-1.36	0.73	-0.51
South-west Perth	WA	155	0.47	-0.66	-0.84	1.48	0.01
South-east Perth	WA	156	-0.73	-0.85	-1.18	1.26	-0.57
Dale	WA	157	1.46	0.56	2.09	3.01	1.56

TABLE 2. (Continued)

Region	State	No.	Index 1976	Index 1981	Index 1986	Index 1991	Regional Effects*
Preston	WA	158	0.34	-0.38	0.40	0.60	0.09
Vasse	WA	159	0.37	-0.02	0.96	1.75	0.51
Blackwood	WA	160	2.57	0.47	0.48	1.04	0.92
Pallinup	WA	161	-0.41	-0.93	-0.59	0.60	-0.52
King	WA	162	0.44	-0.06	0.54	1.70	0.46
Hotham	WA	163	-0.01	-0.88	-0.61	0.05	-0.33
Lakes	WA	164	-1.36	-1.81	-2.73	-1.42	-1.92
Moore	WA	165	-1.44	-2.39	-1.92	-0.53	-1.66
Avon	WA	166	-0.38	-0.75	-0.28	1.14	-0.16
Campion	WA	167	-0.74	-0.82	-0.98	0.47	-0.59
Lefroy	WA	168	2.24	1.02	0.55	0.21	1.23
Johnston	WA	169	-0.05	-0.61	-0.57	1.66	-0.14
Gascoyne	WA	170	0.83	1.46	-1.98	2.20	0.84
Carnegie	WA	171	3.25	2.97	3.73	0.97	3.22
Greenough	WA	172	-0.83	0.42	-0.12	1.95	0.58
De Gray	WA	173	2.62	2.24	1.58	1.32	2.22
Fortescue	WA	174	0.57	1.31	-0.46	-1.43	0.18
Ord	WA	175	3.77	3.46	2.60	0.69	3.31
Fitzroy	WA	176	4.36	4.60	2.15	4.65	3.83
Annual Effects*			0.34	-0.34	-0.42	1.32	
General Effect*							-0.11

Note:

\* As calculated in the median polish analysis.

scores for the index showed an improvement from 1976 (0.27) to 1981 (-0.58) and through to 1986 (-0.74), whereupon conditions deteriorated to a position in 1991 (1.05) that was worse than the situation in the mid-1970s. In other words, the pattern of well-being described a J-curve whereby things got better for a while before deteriorating markedly. However, the same pattern did not obtain in all areas. Table 3 in fact reveals a picture of increasing differentiation. One quarter of all regions failed to prosper during the 1976-81 period. However, almost two-thirds of these fared well between 1981 and 1986, although all but two slipped back between 1986 and 1991.

TABLE 3. Differentiation over time (number of regions)

Improvement 1976-81		132
improvement 1981-86		71
improvement 1986-91	5	
deterioration 1986-91	66	
deterioration 1981-86		61
improvement 1986-91	6	
deterioration 1986-91	55	
Deterioration 1976-81		44
improvement 1981-86		28
improvement 1986-91	2	
deterioration 1986-91	26	
deterioration 1981-86		16
improvement 1986-91	0	
deterioration 1986-91	16	

Overall, five regions showed an improvement at each census (Table 2): Barossa (SA); South Ovens (Vic); and De Gray, Lefroy and Ord (WA). All of these are rural regions. They are, however, vastly different in their resource endowment, ranging from areas of viticulture and irrigation to mining centres. In contrast, sixteen regions got progressively worse: Bathurst–Orange, Central Murrumbidgee, Illawarra & Jervis Bay, Lachlan, Macquarie–Barwon, South Coast, and Tweed in NSW; Bundaberg, Darling Downs, Gold Coast, Mackay, and Sunshine Coast in Queensland; Whyalla and Yorke in SA; North Hobart in Tasmania; and Central Perth in WA. Again, rural areas figure prominently in this list, thereby demonstrating the regional impact of ‘the rural crisis’. Also prominent are industrial areas that have suffered in the restructuring of Australian manufacturing, coastal retirement centres, selected country towns, and two parts of two capital cities. Other than the five regions that continually improved, the eight to go *against* the national trend of deteriorating well-being during the 1986–91 period were: Snowy (NSW); Top End (NT); Fitzroy, MacKays Rural, and the Far North (Qld); Far North (SA); and Carnegie and Fortescue in WA.

In short, no one state and no one type of region dominates either the ‘winners’ or the ‘losers’. Rather, the pattern is one of *increasing differentiation* with the overall pattern suggesting links to the resource and commodity base in rural areas and to industrial change elsewhere. Several regions are faring well, while many regions are faring poorly. What distinguishes one category from the other is not always clear. There is no simple explanation of variations in well-being and no simple answer to the question of what might be done about areas with low levels of well-being. To get progressively worse (or better) does not of course imply that an area has very low (or very high) levels of well-being. Much depends on the starting point. To get some idea of which areas have high levels of well-being and which have low levels, a median polish analysis was undertaken using indices for all four censuses for all 176 regions. This is a simple method of describing pattern in two-way tables (Velleman & Hoaglin 1981, pp.147–69). Functionally, it is similar to two-way analysis of variance in that it permits identification of the effect of various factors (in this case, regions and years) in contributing to the overall pattern. The scores for the various regions are given in the right hand column of Table 2. These effects attributable to regions are such that a high positive score indicates a region with an above average representation of the identified groups and thus an area where, all other things being equal, resources are likely to be very much in demand. The pattern is again complex, but certain generalities emerge (and in the ensuing discussion numbers again indicate regions as listed in Table 2). The top 10 per cent of regions (high negative scores) are to be found in the outer northern and southern suburbs and the inner North Shore of Sydney (3, 11, 12, 13); east and outer northern Melbourne (114, 116, 117, 118) together with the perimetropolitan Loddon area (140); Canberra (43, 44, 45, 46, 47); the outer west of Brisbane (55); the southern periphery of Hobart (98); and the Snowy Mountains (35). In other words, there is a strong bias towards suburban metropolitan areas. In contrast, the worst 10 per cent of regions (high positive scores) were largely in northern Australia (49, 50, 51, 74, 175, 176) and the outback (28, 171), although the inner suburbs of Melbourne also fared poorly (107, 108, 111), as did parts of the metropolitan fringe of Sydney (5) and Hobart (97), and Bundaberg (62). With eight indicators contributing to the overall index, and those indicators being in any case outcome-orientated, it is impossible to identify clearly the processes that lead to the differentiation of ‘good’ and ‘bad’ areas. However, in terms of well-being, it is clear that a gap exists within metropolitan areas

between the well-endowed and the poorly-endowed areas, and that a gap exists between metropolitan and remote rural Australia.

### **An alternative thesis**

Certain trends are evident in Australian society that are likely to maintain or even exacerbate the variability in well-being described above, although the impact of such trends on the regions characterised by low levels of well-being might not be evident until after the results of the 1996 Census are known. For example, there has been a doubling of the number of single-parent households over the 1984–94 period to the point where they now comprise 14 per cent of all households, 85 per cent of them headed by women. Given the cost of child care and child rearing, these single-income households may be potentially less well off than double-income households and thus more reliant on rental accommodation, although many other factors can influence housing tenure. They are therefore likely to be geographically concentrated given both public housing policies and the availability of private rental accommodation. The fact that this group is growing may mean increased numbers at the lower end of the income profile and thus the appearance of increased inequality even if, in monetary terms, the income profile has not been stretched. As against this, changes in household composition might mask inequality by preventing the formation of what might be expected to be new low-income households. For example, in 1992, 86 per cent of all 15–19 year olds lived with at least one parent (Australian Bureau of Statistics 1994). Many are staying in the parental home until well into their twenties.

Also exacerbating inequality is likely to be a continued commitment to competitiveness. Certainly, the 1996 federal election campaign revealed that the incoming Liberal–National Party Government is committed to the main principles of the Hilmer Report even if the National Party wants to hasten slowly in relation to wheat marketing, newsagencies and pharmacies. Enterprise bargaining is likely to continue to be prominent. Casual, part-time and female employees might therefore do less well than the rest of the labour force in gaining wage rises. There is also the prospect of regional differences emerging in the outcome of enterprise bargaining, with workers in prosperous areas of economic growth more likely to negotiate pay rises than workers in areas with few employment alternatives.

A continuing thrust towards privatisation might diminish the importance of community service obligations (CSOs) in fields like postal and telecommunication services, thereby disadvantaging rural Australians and imposing a further cost burden on them. Pricing and profitability in government business enterprises (GBEs) might be put ahead of service. The identification and pricing of CSOs (in the form of explicit government payments) might make them a target for axing at a later date (New South Wales Council of Social Service 1993).

Additionally, there is what Singer (1995a) has identified as a 'malaise of meaninglessness'. This is important because the central ethos of modern Western economies has been described as 'competitive individualism' wherein relative rather than absolute standards of living are what seem to count (Lansley 1994). As more people fail to achieve, so disenchantment might grow. Evidence already exists in Australia to show that disaffection with certain aspects of life is widespread. For example, employment surveys have shown that, for about 60 per cent of workers, stress levels have increased in recent times, often as a result of the introduction of new technol-



ogy (Gittens 1995b). Flatter organisational hierarchies are also truncating career paths. This situation has led some to question whether increased materialism is worthwhile, to speculate that the malaise might be most intense in areas that are already struggling, and to predict that 'the western world may be in for a long period of destabilisation, with ongoing economic disparities, a changing pattern of regional and national success and a new generation of winners and losers' (Lansley 1994, p.17). In short, we might be entering an era of increasing place-to-place differences in the quality of life.

Given this, it is important to reflect on the nature of society. For example, it might be that what is being observed is not as simple as increased income inequality. If this is the case, it would be wrong to think that any 'problems' that are identified can be solved simply by income redistribution. In other words, to interpret what is happening in society as increased income inequality is to put a particular construction on events. An alternative thesis is that what is occurring is a growing *differentiation* in society. Indeed, there is a good deal of theoretical material to support such a view.

The idea of differentiation, and particularly geographical differentiation, is inherent in much postmodernist thinking. Angell (1995, p.12), for instance, has foreshadowed an information age where 'area will compete against area, town against town, even suburb against suburb. It will be inevitable that nation-states will fragment: rich areas will dump the poor areas'. Other writers differ and have forecast 'the end of geography', stemming from the advent of advanced information technology and government deregulation (O'Brien 1992), but this idea seems no more correct than Fukuyama's (1992) 'end of history' thesis. The world of the future might very well be one where 'geography', in the simple sense of place-to-place differences, becomes more, not less, important. Telecommunications might annihilate distance but not place.

The notion of differentiation is certainly central to the interpretations of postmodernism offered by Beauregard (1995) and McGrew (1992). McGrew in particular has suggested that the process of globalisation might bring with it opposition to globalisation. Thus five polarised processes might be at work and these can be labelled *universalism vs particularism, homogenisation vs differentiation, integration vs fragmentation, centralisation vs decentralisation, and juxtaposition vs syncretisation*. The nature of these polarities has been described by King (1995, p.221). Just as globalisation 'universalises', so it simultaneously 'relativises' places with a result that differences and uniqueness are constructed. Just as globalisation produces a sameness in things like social institutions, so it also produces a redefinition of 'the local' as groups of people interpret the same thing in different ways. Just as globalisation has the power to create new transnational communities, so it also divides nations, for example, on sectional, racial or ethnic lines. Just as globalisation leads to a concentration of power, so it can also provoke local resistance to change, often in the form of social movements of one sort or another. And just as globalisation involves a time-space convergence that 'hybridises' ideas, institutions and practices, so it can also serve to emphasise social and cultural prejudices and boundaries. In short, differentiation might be the order of the day in the postmodern world, and in this regard Australia might be no different from the rest of advanced Western society. Therefore, what passes for increased inequality in Australia might not be an unidimensional phenomenon deriving from income differentials, but rather a manifestation of a multidimensional pluralism. This certainly appeared to be the case with the pattern of well-being described above. Where people live has a major bearing on their quality of life (Walmsley 1996).

### The policy response

If geographical differentiation is the order of the day, then the question arises as to how governments might cope with it. Are there aspects of it which produce outcomes that might be seen as socially, economically, or ecologically undesirable? If so, what is the appropriate policy response and what ameliorative measures might help? In a sense, we might anticipate a return to some sort of regionalism. Certainly Australia has seen a renewed interest in regional matters as evidenced by the Industry Commission Report of 1993, the Kelty Report of December 1993, and the McKinsey Report of March 1994. However, these reports were firmly wedded to 'the competitive ethos' in that they argued that 'pursuit of national efficiency rather than particular regional benefit is likely to improve both the sum of national wealth and, through a filter-down effect, regional well-being' (Sorensen 1994, p.12). In other words, regional policy *per se* is not well developed in Australia. Additionally, of course, it must be noted that differentiation might not occur conveniently at the regional scale. In this context, it is difficult to know if local government reform is a good or bad thing. For example, the Kennett Government in Victoria has reduced the number of local government authorities (LGAs) from 210 to 78. Although this might make for greater efficiency, it provides fewer access points to the political system. It is also worrying in that geographical differences in spending *within* LGAs might be more difficult to effect than differences *between* LGAs, given that the latter is amenable to manipulation through fiscal equalisation policies.

Any consideration of heightened geographical differentiation in Australia must inevitably take stock of the federal system of government. Although the COAG agreement of April 1995 locked the States into a national stance on competitive policy, interstate competition is possibly just as important as international competition. Some would argue that this interstate rivalry hinders national development. Others claim that there is value in diversity and that the principle of competitive federalism serves as a source of social innovation and economic dynamism (Painter 1995). The nature of interstate rivalry was shown in May 1995 when Queensland slashed stamp duty on share transactions by half, forcing the other states to retaliate, provoking a revenue shortfall that was partly matched by a cut in social expenditure and certainly a reduced ability on the part of the states to tackle place-to-place variations in well-being. Shortly afterwards (June 1995), New South Wales and South Australia engaged in a bidding war over Westpac's national loans centre. The 'duel' was won by South Australia, but at a reported cost of \$30 million in incentives.

Interstate rivalry is matched only by rivalry between the States and Canberra. In this context, the then Queensland Premier claimed that:

There is a real problem developing in the constitutional structure of this country. The continuing shift of power to Canberra is leading to a *de facto* abolition of the States. (Goss 1994, p.15)

In reality, there was nothing new in the five forces that Goss identified as responsible for this shift: vertical financial imbalance, foreign affairs power, use of referenda, centralist judgments by the High Court, and federal control of income tax. Indeed, Goss's outburst probably reveals more about enduring problems than contemporary trends. Perhaps more revealing is the recent admission by the Premier of New South Wales that he would be prepared to relinquish state powers on issues such as industrial relations and consumer affairs in return for greater autonomy in running the health and education systems (Totaro 1995). Underlying this admission is the view that those

measures relevant to running a modern, competitive economy belong with Canberra while the States should have responsibility for issues related to social well-being. Of course, like all political stances, this one is subject to change, as shown by the New South Wales Government's threat in 1996 to use the High Court to block industrial relations initiatives by the newly elected Liberal-National Party Coalition in Canberra (Millett 1996).

In calling for an increased emphasis on place in policy, this paper is not arguing against attempts to address disadvantage through the taxation system and the system of pensions and benefits. Several attempts were in fact made to close the equality gap in the 1980s (for example, fringe benefits tax, capital gains tax and family allowance supplement). Although the egalitarian effects of these were sometimes partly offset by other measures (for example, dividend imputation, which helped those living off capital investment), such initiatives need to continue. However, in themselves, they are not enough because there is a limit to how much such measures can be relied upon without provoking tax avoidance schemes. For instance, some highly paid workers are footloose and can move internationally to minimise tax burdens. This has led Angell (1995, p.11) to suggest that the tax burden might move increasingly onto the shoulders of the immobile and from income to consumption.

The policy mix needs to incorporate a regional component. This view is not, of course, new. Fiscal equalisation has been a central plank of Australian federalism since the 1930s and, fundamentally, such equalisation is a way of helping disadvantaged regions. What a renewed interest in regional policy implies is a reawakened concern, especially on the part of geographers, for fairness and justice. It needs to be remembered, however, that concepts like 'fairness' are social constructions. Hay (1995), for instance, has identified no fewer than eight types of fairness: procedural fairness, formal equality, expectations, substantive equality, equal choice, deserts, rights, and needs. As Hay pointed out, all of these are, in a trivial sense, geographical, but none of them is essentially geographical. The challenge in regional policy is to explore the implications of adopting each of these definitions in a geographical context where access to delivery points is not uniform or cheap. This entails political decisions about the level of support that Australians can expect from their governments, about the degree of fairness and equity that is appropriate, and about minimum thresholds of service provision.

The sort of differentiation described in this paper is almost certainly not peculiar to Australia. However, Australia has many characteristics that influence the *pattern* of differentiation: its size, its primate settlement pattern, its federal structure of government, its multicultural society, and its economic emphasis on primary sector exports. Australia cannot therefore look overseas for quick fixes to the problem of increasing differentiation. The focus needs to be on detailed examination of the Australian experience. Just as there was no single and simple explanation of differentiation, so there can be no single or simple remedy. Perhaps the way forward is to empower the regions themselves by providing them with money to spend as they see fit. Such autonomy and discretion, with its emphasis on self-determination, might have much to recommend it in so far as it might facilitate local leadership and initiative (Sorensen & Epps 1996). However, such devolution is probably a pious hope at the moment, given the current state of fiscal federalism. Perhaps the centenary of Federation in 2001 will provide the opportunity for a geographical input into consideration of what form of government is appropriate to Australia in the twenty-first century.

## Conclusion

There are two main views in the contemporary debate about inequality in Australia. The first argues that it is increasing and is a cause for concern; while the second acknowledges that it is probably increasing, but contends that it is not a cause for concern because the level of inequality is low by international standards and, in any case, might be remedied by high levels of intergenerational mobility. The present study has shown that both views oversimplify reality. Society is not polarising but rather is becoming more differentiated in the manner predicted by some writers on post-modernity. In other words, change is multidimensional, not unidimensional. In policy terms, addressing increasing differentiation is more challenging than addressing increasing income inequality. Nevertheless, the way forward is to be found in regional policy that acknowledges diversity by empowering local initiative.

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