Lazy economic growth is draining rural Australia

John Brumby wants ten solar power plants across regional Victoria, to add to renewable power supplies and to stimulate regional economies. West Wimmera Shire wants a detention centre to stimulate its economy. Andrew Broad, VFF president, wants to reverse the decline in regional populations. The Federal ALP is questioning the benefits of current patterns of population growth. They are all trying to resist an irresistible force.

Economic growth, more specifically the pattern of Australian economic growth, is a primary driver of the rural de-population process. Richard Denniss, of the Australia Institute, calls our growth model "lazy economic growth": pocketing the political, speculative and business gains of a bigger economy without adequately sculpting a *better* economy (*The Age*, 22nd July, 2010, p.12).

With economic growth comes new wealth, invariably unevenly distributed. Karl Marx called it surplus value: the benefits of economic gains accrue to those who own the assets. The cycle of surplus value and asset accumulation has been with us through the ages. Wealth has always accumulated in urban areas.

Economic growth brings new expectations. Our chosen benchmark of tolerable living has risen steadily over time; anyone with a sense of 'progress' would want it just that way. To satisfy those expectations requires yet further increases in wealth.

The bias of wealth towards urban centres and the job opportunities it creates, plus increased expectations from economic growth create an irresistible force. Perhaps it is more of a "push" away from rural areas generated by unfavourable demographics, lower pay, cultural opportunities and/or services.

In Australia, a plethora of initiatives and countless words has been expended by all three levels of government to build vibrant regional communities. Much of the historical government infrastructure spend had rural population in mind, although at times it became hard to differentiate that from good-old-fashioned nation-building. Likewise, many of the now-defunct rural product marketing and input supply schemes had similar motives. We are regularly treated with less-than-systematic schemes to bolster our stocks (free land, irrigation "upgrades", iconic infrastructure projects). These schemes likely have the best intent, but all are continuations of past initiatives like Closer Settlement and Whitlam's plan for Albury/Wodonga: papering over basic imbalances in our economic system. Despite some pyrrhic victories, all of these initiatives have barely slowed the rate of rural and regional decline. Lazy economic growth, amongst other things, has acted *against* these goals.

Moving beyond iconic initiatives, political platforms or hopeful hyperbole, truly stemming or reversing the rural de-population trend presents us with a choice: either more actively redistribute wealth and opportunity to overcome the consequences of our growth, or consider an Australia with less or zero economic growth to suppress the irresistible force.

The concept of an economy that does not *need* to grow to furnish peoples' needs is hardly new; it is the focus of the field of steady-state economics, now decades old. Steady-state economics is based on three principles: sharing of wealth, rationing resource extraction and use, and stabilization of population. The world that feeds and houses our economies is not growing bigger. Post-GFC and the preceding resources-squeeze, some questioned the value of economic growth to sustainably improve the quality of their lives. But human memory is notoriously short and currently pursuing zero or low growth is political suicide for a government. Yet, if the principles of steady-state economics are applied in-full, we could fashion an economy that does not need quantitative growth to function, indeed thrive. A major hurdle is the risk of great macro-economic instability in the adjustment process; bad things happen to good countries when economies become unstable.

Granted, it is a big ask for many of us to consider seriously a steady-state economy, as we sit atop the gains of economic growth. None of us like to go backwards, regardless of the starting point, particularly when our very concept of 'forwards' remains closely linked to money.

How about the broader costs of growth? Arguably, our congested urban centres, increased housing costs, increased inequality and decreased leisure time and social cohesion have compromised quality of life for many of us; this is probably the thinking of the 2010 ALP slogan of not wanting a big Australia. Increasing homelessness, declining social capital, rising resource costs, continuing habitat loss and species extinction increase the social costs of our obsession with economic growth. At best the current model of economic growth has not addressed these ills, at worst it has aggravated them.

Economic *growth* and economic *development* are not the same. Economic development refers to the enhancement of peoples' lives, of which GDP per capita is only a part; Amartya Sen termed it 'capability to flourish'. It can refer to how equal wealth is shared (between people or regions), how efficiently resources are converted into human welfare, to education standards, health care, longevity, working hours, etc. As any inspection of progress in the last 200 hundred years shows, economic growth and development can go together, but they are not guaranteed to support each other. Most importantly, if a direct consequence of economic growth is increasing inequality, then uncritically pursuing it is actively eroding a key component of economic development. There is a school of thought that the degree of income equality is *the* determinant of a society's function and happiness.

The 1930s New Deal in the USA was one of the more convincing attempts to unravel the downsides of economic growth - inequality was the chosen target at the time. It did not seek the steady state, but did focus on one of the three tenets of steady state economics: wealth distribution. Income taxes were introduced for the first time and welfare services were enhanced, producing what Paul Krugman, economics writer for the *New York Times*, calls the Great Compression, because American society was a good deal more egalitarian for 30 years after the New Deal. The American economy *developed* by providing for a greater proportion of Americans, *regardless* of the growth it achieved.

As our cities swell and test the resources to supply them, we need to rethink the primary forces causing the drain of people, resources and services from rural Australia. Economic growth without matching economic development is the major cause of rural decline; focus on any other issue is a distraction. Our politicians still promote it to furnish their ends, but economic growth should no longer be considered a given.

Economic growth is currently prized as our best bet to achieve employment, especially. Do we really need growth for everyone to stay employed and secure, let alone happy?

In the past clamour about climate change, we heard nothing about desirable scales for our resource-use, our economy - what is our optimum? Thankfully, the issue of population has finally got some oxygen.

We need another John Maynard Keynes urgently, a visionary who can see that the current growth model is creating a wasteland in rural Australia. We need serious discussion of how we develop as a nation; either better harness quantitative growth for genuine development, or move past economic growth as our means of satisfying aspirations and stabilizing economies. Let us search for an optimum before resource-constraints impose their own limit on us!

I challenge our rural leaders, indeed all our leaders, to re-think their attitude to lazy economic growth; it is an accepted-wisdom that now acts against the interest of viable Australian rural communities.