3 The challenge of globalisation

The drama being played out in rural Australian society during the late 20th century essentially results from the juxtaposition of two major contrasting forces – the strength of localism and place attachment on the one hand, and the apparently overwhelming exogenous forces set in motion by the process of globalisation on the other. An essentially localist cultural, social and psychologically moulded way of life which thrives best on stability and continuity is pitted against an essentially global set of economic and technological forces that promote increasingly rapid and fundamental change in the ground rules under which rural communities exist. The shape and nature of rural life in the decades to come will depend on the way these two forces interact.

Aims of this chapter

The present chapter attempts to provide a background for the empirical case study of South Australia's rural communities and households by tracing the massive impacts of globalisation downward through the international, national and regional levels, concentrating on its effects on agriculture and related industries. The nature of globalisation in its various forms is first explored. This is followed by an outline of attempts to theorise it at the international level. Theories relating to agriculture as a sector in capitalist national economies and the propensity of family farming systems to survive in such systems are then outlined, followed by an assessment of the way globalisation exacerbates the unevenness of spatial development within the national economy – particularly in relation to Australia. The relationship between globalisation as a process and neo-liberalism as its guiding ideology is explored. An outline of the specific impacts of globalisation on the Australian agribusiness, food processing and food retailing sectors follows, and the chapter concludes with a summary assessment of the challenge posed by globalisation to the existing social organisation of space in rural Australia. The specific effects of globalisation, and its interaction with localism, at the grass roots of rural households and communities in South Australia are considered in later chapters.

Definitions of globalisation

Although its roots go back much further, Scholte (1996, 44) aptly points out that it was not until the mid-1980s that *globalisation* – which he summarises as "the process of the world becoming a single place" – became a popular buzzword, and the term 'global' started to replace 'international' or 'multinational' in volume titles and academic discourse. Alternatively summarised as "the twofold process of the particularization of the universal and the universalization of the particular" (Robertson 1992, cited by Jameson 1998, xi), more specific definitions of globalisation invariably include rapid economic and technological change of scale from national to global. The revolution in information technology and the economic hegemony of the capitalist system since the collapse of the Soviet system are usually seen as major facilitating factors. The process of globalisation also incorporates vital cultural and social elements, while many authors also emphasise the ongoing tension between the global and the local – a central theme for this thesis. The inequality of power between the local and the global means that rural social formations have little option but to *react* to exogenously generated change – "forever reacting to futures designed, prepared and communicated piecemeal by governments and corporations", as Pieterse (2000, 2) puts it. For South Australian rural communities, still heavily dependent on primary industries, globalisation is experienced in the first instance through the changes it has brought to the economic ground-rules under which they operate. Although the phenomenon is far too complex to capture in simple definitions, the following will suffice to indicate the forces at work.

For export-dependent Australian agriculture, the revolution in *marketing and production* is perhaps the most immediate concern:

> Economic globalisation refers to the growing interdependence among sovereign states in areas such as trade, investment and communication. It is an integration of economic processes across political borders which results in business behaviour being oriented to world markets, rather than particular national markets. (Parliament of the Commonwealth of Australia, 1998, 2.4).

But even 'economic' globalisation encompasses much more than this. Further vital elements are the extreme *mobility of capital*, and the speed and intensity of *information flows*.

> Economic globalization can be simply defined as a process of rapid economic integration between countries. It therefore embraces the increased integration of product and factor markets, as well as the speed with which this integration takes place. Globalization has been driven by the liberalization of international trade and FDI, and by freer capital flows, and manifests itself mainly through an intensification of activities in the following areas:
>
> - international trade in goods and services;
> - capital flows (FDI[1] and short-term flows);
> - the role of MNEs;
> - the reorganization of production networks on an international scale; and the adoption of new technology, notably ICT. (Torres 2001, 8)

These massive changes in the nature of interaction also imply the increasing exercise of *power* over local events by remote forces:

> Globalization, simply put, denotes the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction. It refers to a shift or transformation in the scale of human organization that links distant communities and expands the reach of power relations across the world's regions and continents. (Held and McGrew, 2002, 1)

Moreover, commercial globalisation is accompanied, or quickly followed, by that of innumerable *social and cultural* aspects of life:

> … we not only see references to the globalization of money markets, fashion, and advertising industries, but also the globalization of diseases such as AIDS and the illicit drug and pornography industries as well. … From this perspective the intensification of global time-space compression through the universalising processes

[1] FDI: foreign direct investment; MNE: multinational enterprises; ICT: information and communication technology.

> of the new communications technology that aggravate the power of the flows of finance and commodities means that local cultures inevitably give way. (Featherstone, 1996, 46).[2]

In many ways, the late 20th century witnessed the culmination of a phenomenon already observed by Marx and Engels in the Manifesto of the Communist Party in 1848. Describing the relentless search of the bourgeoisie for expanding markets, they wrote:

> All old-established national industries have been destroyed, or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed not only at home, but in every quarter of the globe. In place of the old wants satisfied by the production of that country, we find new wants requiring for their satisfaction the products of distant lands and climes. In place of the old local seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. (Marx, K and Engels, F., 1848[3], cited in translation by Freedman, 1961, 14-15)

Antecedents of globalisation

At least throughout white Australia's history, rural communities have never been self-sufficient masters of their own destiny, but have been subject to 'ground rules' or regulation regimes, exogenously imposed at various scales – British imperial edicts, colonial government, State and Commonwealth. Much of the literature on globalisation interprets the phenomenon as a weakening of the nation state at the hands of international – particularly Western – capitalist institutions and multinational corporations. Since my concern in this thesis is to investigate the impact of the struggle between the global and the local on ordinary rural communities, a brief consideration of the *pre-globalisation* ground rules affecting these communities is required, to appreciate the impact of the more recent changes.

The nation state

In an excellent brief overview, Held and McGrew (2002) remind us of the recency of origin of the concept of nation state as a world norm, outlining the process of creation of an international society of nation states beginning with the Treaty of Westphalia in 1648 at the end of the Thirty Years War (though individual nation-states existed much earlier). Citing Crawford and Marks (1998), Held and McGrew note that by the late 18th and early 19th centuries, an international order had arisen including territorial sovereignty, the formal equality of States, non-intervention in the internal affairs of other recognised States, and State consent as the foundation stone of international legal agreement. The system became truly global and the number of independent sovereign States reached its maximum (over 190) by the end of the 20th century,

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[2] It should be noted that Featherstone does not accept this simplistic notion of inevitable conquest of local by global culture.

[3] Manifest des Kommunistischen Partei appeared anonymously in 1848. This citation is taken from the authorised English translation, edited and annotated by Friedrich Engels, translated by Samuel Moore, 1932. It is part of a passage included by Freedman in his book of excerpts of the writings of Marx on economics.

following the collapse of first European, then Soviet empires, together with the surge of nationalist movements in multi-ethnic States. As they put it,

> States in many place have increasingly claimed a monopoly of the legitimate use of force and judicial regulation, established permanent military forces as a symbol of statehood as well as a means of ensuring national security, consolidated tax-raising and redistributive mechanisms, established nationwide communication infrastructures, sought to systematise a national or official language, raised literacy levels and created a national schooling system, promulgated a national identity, and built up a diverse array of national political, economic and cultural institutions. (Held and McGrew 2002, 12-13)

Very important aspects of these national institutions, discussed in more detail below, included the control of the national currency and its external exchange rate, the provision of tariff barriers to protect local industry within the domestic market, and the regulation of labour markets and wage levels. However, just as the rise of the steamship overlapped and overtook the perfection of the sailing vessel, so the maximum expansion of the system of more or less self-contained national economies linked by international agreements was overlapped and overtaken by the phenomenon of globalisation.

In freeing the global economy from some of the restraints imposed by national frontiers, however, liberty has certainly not been accompanied by equality and fraternity. Of the four traditional factors of production, two – *capital* and entrepreneurship or *management* – have greatly increased their mobility. On the other hand *land*, of course, remains immobile, while the international movement of *labour* (though greatly increased) remains much more selective and restricted through immigration controls. This disparity alone in a deregulated capitalist world would ensure a massive restructuring (reflected in the 'new international division of labour') as capital and entrepreneurship move to third-world locations with real estate unfettered by strict environmental controls, coupled with large, docile and low-cost labour pools. But within the developing world, a multitude of factors, such as variations in political stability and perceived security, ensures massive unevenness of these flows as between competing nations. For many newly decolonised territories, the expected benefits of independent statehood have remained illusory (Myoshi, 1996).

Triggers of globalisation

Although the transition from a mosaic of nation states towards a single global economy is hard to tie down to particular dates or events, some particular triggering events/processes require mention. Three key international organisations that arose in the process of economic reconstruction after World War II formed the early instruments of a global economy – the World Bank, the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade (GATT) (Myoshi, 1996). In the first place, the successive rounds of (GATT) discussions paved the way for reductions in protectionism and the massive expansion of world trade. The number of participant states rose sharply in the 1960s from just 26 in the Dillon round to 62 in the Kennedy round, and rose further to 102 and 123 in the Tokyo and Uruguay Rounds respectively. At the same time, the scope of the agreements – originally concerned just with tariff reduction – expanded to attack many other restrictions to world trade, including non-tariff rules and restrictions. From its earlier focus on commodity trade, it also widened to include services, intellectual property and agriculture. (Parliament of the Commonwealth of Australia, 1998). An important outcome of the protracted (1986-94) Uruguay Round was the formation of the World Trade Organisation (WTO), which for the first time provided a basis in international law for the enforcement of its decisions, binding on member states, and overruling national decisions deemed to contravene the terms of the agreement on protectionism and the free flow of trade. It also formed a focus for growing left-wing opposition to globalisation, as seen at the WTO Seattle conference (Retallack, 2000).

A further key event was the collapse of the post-war system of fixed currency exchange rates enshrined in the 1944 Bretton Woods agreement, by which the United States dollar, backed by US gold reserves, became the undisputed world hard currency; the United States agreed to convert the US$ holdings of other countries to gold at a fixed rate. Exchange rates of other currencies were fixed in relation to the dollar, and hence to each other; changes in exchange rates were made by national governments as devaluations or revaluations, rather than by speculative market forces. The relative stability of exchange rates allowed nation states a degree of freedom to regulate their economies. A summary of the collapse of this system and its effects on Australia is provided by Fagan and Webber (1994). During the 1960s the United States balance of payments went into deficit, causing it to regulate capital outflow from the country. At the same time an alternative pool of funds built up in the form of dollar reserves held abroad, notably 'Eurodollars', from which trans-national corporations wishing to invest offshore could draw. In 1971 the United States abandoned the Bretton Woods agreement, and many countries subsequently allowed currencies to 'float' according to market valuation, thereby greatly encouraging short term speculative movements of capital. The Eurodollar pool continued to grow, allowing easy global circulation of capital. (Fagan and Webber 1994, 18-20).

As long as the 'Second World' of Eastern Bloc states and the associated 'Cold War' remained as an alternative economic system, full globalisation as defined earlier could clearly not exist. Although the collapse of the Soviet "empire" introduced a whole series of new complexities, and did not necessarily mean a simple integration of the world economy under the Western powers (Dalby, 1996; Parker, 1996), nevertheless important checks and balances to the advance of capitalism were removed. As Parker (1996, 76) put it, "With the end of the Cold War, Western civilisation has in many ways achieved a global reach similar to that of Hellenic and Roman civilisation over the *oikumene* in the second century AD, when the Roman empire reached its maximum territorial extent."

To these three key reductions in the barriers to trade and exchange, Gray and Lawrence (2001, 27) add three more. First is the rise of large corporations as a dominant form of economic enterprise in countries outside of the United States (where they by far pre-dated globalisation); the impact of this development on Australia is well summarised by Fagan and Webber (1994, 63-70). On the world scale, Held and McGrew (2002, 43) show that by 1999, head offices of 321 of the world's 500 largest multinational enterprises were located outside of the United States. Second is the opening up of new markets with political/military elites or quasi-democratic governments in states emerging from the collapse of former colonial empires. Pronk (2000) argues that the integration of these emerging economies is occurring under rules set by the G7 aimed at securing their macroeconomic fundamentals rather than internal social equality; and likely to bring most benefit to the providers of finance and capital. He observes that "within the framework of the IMF and the WTO, developing countries are bullied into the open, integrated global economy". Third and perhaps most important on the list of Gray and Lawrence is the extension of the microelectronics revolution not only to the circulation aspects of capitalist accumulation, but to production and distribution as well.

Limitations of globalisation

It is important to note that globalisation as a real, irresistible and inevitable process is very much a contested concept. An excellent review of the range of positions held by researchers (Held 2000), posits a spectrum between acceptance of a single fully integrated global economy on the one hand, and a world still essentially consisting of totally independent and sovereign nation states on the other. The 'globalist' perspective approaches the former extreme, the 'inter-nationalist' the latter, with the 'transformationalists' in an intermediate position. Elsewhere Held and McGrew (2002) simplify the dispute as between 'globalists' and 'sceptics'. For Held and McGrew (2002, pp. 3-8), sceptics are held to see globalisation as more or less a synonym for Westernisation, or as a 'necessary myth' that helps national governments to discipline their people into accepting new economic ground-rules. Thus it helps to justify the neo-liberal project of creating a free world market in which the dominant position of Western capitalism can be consolidated, and serves the pathological expansionist need of capitalism to maintain profit.

Globalists however see the phenomenon as more than this, reflecting a change in scale of economic organisation which is creating a new geography at the local, regional and national scales as well as global. They hold that fundamental changes are taking place in three key areas: socio-economic organisation; the territorial principle; and power. As to territory, the former direct correspondence between society economy and polity within an exclusive and bounded national territory is being challenged by globalisation. As to power, globalisation refers to the changing scale at which it is organised and exercised. Citing Jameson (1991), Held and McGrew (2002., p.8) write: "… under conditions of contemporary globalization the truth of power no longer resides in the locales in which it is immediately experienced." This certainly puts the situation of Australian rural families and communities in a nutshell. However, the evidence to be presented here suggests that this power imbalance is a well entrenched feature of rural life, not caused but merely exacerbated by globalisation. And as Rapley (2004,6-7) points out, although the powers of the nation-state have been reduced, its long-term survival as an institution is no longer a matter of doubt and debate in the political literature. Thus the details of the globalist/sceptic debate need not detain us here.

Incorporation of the farm sector into the world capitalist economy

This thesis is primarily concerned not with the globalisation process *per se*, but with its effects of on Australian rural communities and farm families. In understanding the mechanisms bringing the impact of these global changes down to the local level, a brief review is needed of the development of the major theories linking farm producers to the global capitalist system, and the key mechanisms involved in forging that link. The first concerns the extent to which commercial family farms are capable of resisting incorporation ('subsumption') into the overall capitalist system by virtue of their special characteristics and residual similarities to peasant family farming. This literature is particularly relevant here, as it resonates with some of the mechanisms that create or reinforce localism, to be discussed in the next chapter.

Simple commodity producers and subsumption

Despite the existence of large-scale enterprises in Australian farming almost from the outset of white settlement, the great majority of farm holdings remain family-owned enterprises employing relatively little non-family labour. Such enterprises share many capitalist traits, but also have some characteristics common in peasant family farms. As "simple commodity producers" they form a special case, neither capitalist nor peasant, but subject to varying degrees of subsumption into the normal capitalist system. In countries where subsistence agriculture pre-dated capitalism by many centuries – or even millennia in some cases – the peasantry formed the numerically predominant social class, deeply rooted in the soil and inescapably localist in its economic and social existence. In his analysis of the transformation of the feudal world by the bourgeoisie through capitalism, Karl Marx observed that

> The bourgeoisie has subjected the country to the rule of the towns. It has created enormous cities, has greatly increased the urban population as compared with the rural, and has thus rescued a considerable part of the population from the idiocy of rural life. Just as it has made the country dependent on the towns, so it has made barbarian and semi-barbarian countries dependent on the civilised ones, nations of peasants on nations of bourgeois, the East on the West. (Marx, K and Engels, F., 1848[4], cited in translation by Freedman, 1961, 15)

The above citation reveals much of Marx's attitude to the peasantry, which he regarded as conservative and reactionary, and as one of the classes "destined to decay and disappear in the face of modern industry" (Freedman 1961, 21). Engels in his preface to 'The Peasant War in Germany' considers that the 'bigger peasants' already belong to the bourgeoisie, and the smaller peasants he divided into feudal peasants still owing labour duties to their lord, tenant farmers oppressed by rack-rents, or smallholders –mostly heavily mortgaged and at the mercy of usurers. All of these, and particularly the landless labourers, could expect salvation only from the working class, and were expected to be absorbed into the proletariat. (Engels, 1870, reprinted 1968, 243-244). However, the peasantry did not succumb to modern industry with the speed apparently expected by Marx and Engels, and its persistence attracted the attention of other writers.

Notable among these was A.V. Chaianov (alternatively spelt as Chayanov). Based on his extensive understanding of Russian peasant life, and in opposition to Lenin and Kautsky as well as Marx, Chayanov argued that peasant family farms (by which he meant farms run *entirely* by family labour) operated on a quite different logic from a capitalist business enterprise (Shanin, 1966). The capitalist concept of production for

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[4] *Manifest des Kommunistischen Partei* appeared anonymously in 1848. This citation is taken from the authorised English translation, edited and annotated by Freidrich Engels, translated by Samuel Moore, 1932. It is part of a passage included by Freedman (1961) in his book of excerpts of the writings of Marx on economics.

some minimum profit did not apply to a family unit which paid no wages, but operated on a basis of the production of a living for the family as a whole, at a level which depended on the family's assessment of the necessary balance between desired consumption and the amount of work (or 'drudgery') required to achieve it. Thorner (1966) in his concise outline of Chayanov's argument, sums up his view of the persistence and durability of peasant family farming in these words:

> the basic characteristics of the peasant family's economic behaviour fundamentally differed from those of capitalist farm owners in the price they were prepared to pay for buying land, interest they were willing to pay in borrowing capital, rent they would pay for leasing in land, price at which they would sell the produce, etc. In conditions where capitalist farms would go bankrupt, peasant families could work longer hours, sell at lower prices, obtain no net surplus, and yet manage to carry on with their farming, year after year. For these reasons, Chayanov concluded that the competitive power of peasant family farms was much greater than had been foreseen in the writings of Marx, Kautsky, Lenin and their successors. (Thorner, 1966, xviii).

The economic behaviour of Russian peasants in the 1920s may seem a far remove from the situation of Australian family farmers in the 1980s and 1990s. However, after an initial pastoral occupation of an essentially capitalist nature, the Australian tradition of closer land settlement by owner-occupiers based dominantly on family labour proved to inherit – albeit indirectly – some of the characteristics of peasant family farms. Like them, it did not fit the standard capitalist model, and has exhibited an extraordinary degree of stubborn persistence into the early 21st. Century.

With insignificant exceptions, Australian farming skipped the subsistence stage and was oriented towards cash sales of produce, first for a local urban or goldfields-based population, and increasingly for export. Small-scale farming aimed at producing a surplus for cash sale was termed 'petty commodity production' by Marx in the second volume of 'Capital' and was expected to be quickly out-competed by large scale commercial (capitalist) farming (Goodman and Redclift, 1985, 232-233). Slightly renamed, *'simple commodity production'* (United States, Canadian or Australian family farming producing large export surpluses can hardly be termed 'petty') was subjected to a classical analysis of wheat farmers on the American Great Plains by Harriet Friedmann (1978; 1986). As with capitalist enterprises, simple commodity production depends entirely on a market for cash sales of its products for purchase of consumption goods – subsistence production is treated as insignificant. It differs from ordinary capitalist business in that it is, at one and the same time, a commercial enterprise and a household in which the family's own labour supply must necessarily vary through the stages of the life cycle. Taking the nuclear family as typical, and with farms requiring more than a single man-year of labour, Friedmann shows how for at least the first fourteen years after a couple takes over a farm, the labour deficit needs to be made up by off-farm wage labour, thus intersecting with the capitalist labour market. Part of the deficit is made up *within* the simple commodity production system, for example through co-operative arrangements and the employment of sons from other farm families at a later stage in the life cycle; however, a significant input from the ordinary labour market is still needed.

The nub of Friedmann's argument is that the reproduction of simple commodity production, and thus its continuity over time, is not only compatible with the capitalist system, but actually depends on the presence of a wage labour market as a necessary (though not sufficient) condition for survival. (Friedmann 1978, 95-97). To simplify her thesis, Friedmann (1978, 96) assumes that the farm household "cannot adjust land and the other means of production to changes in family size". As will appear in later chapters, however, the extreme pressure on Australian farm households in the late 1980s and 1990s arose from their trying to do just that, and the intersection of simple commodity production with the capitalist *land and capital* markets was a more critical factor than intersection with the labour market. None the less, Friedmann's clear demonstration that the labour input by children (specifically sons) of family farmers is not a mere commodity, and that even the bought-in wage labour has special characteristics, remains a major bastion of resistance by Australian family farmers to the challenges of globalisation.

An important challenge to Friedmann's thesis of the durability of simple commodity production was made by Goodman and Redclift (1985), who suggest that

> The danger is one of conferring on simple commodity production the status of a theoretical concept, whereas it is an historically contingent phenomenon, which consequently can be expected to undergo significant transformation and variation in the course of capitalist development. (Goodman and Redclift 1985, 238)

They allow for the emergence of transitional forms, and suggest that the process of *subsumption* of simple commodity production into the standard capitalist system is hindered and slowed by "organic nature, land and space" – i.e. the fact that farming is conducted on land of infinite variation in soil, rainfall, exposure, slope, etc., using a huge variety of species, requiring an infinite variety of methods and skills not immediately amenable to standard capitalist large-scale mechanised production using a proletarian labour force. Moreover, they point out (1985, 242-244) that family farming in the late 20th. century has been bolstered by a better capacity to organise itself, and by exploiting its strongly positive ideological image.

In describing the processes by which earlier forms of production such as peasant agriculture are subsumed into the capitalist system, Marx distinguishes between two forms of subsumption. As explained by Goodman and Redclift (1985, 239) in relation to the labour process, the early stages of the transition to capitalism leave the apparent form of production intact while still appropriating the surplus value of production arising from paid labour on farms. At this stage, there is relatively little difference between the work done by the farm owner as a proto-capitalist, and the paid labour he is compelled to employ at certain stages of the life cycle. Later, the process of subsumption moves to a situation where the division of labour and the scale of production is such that a clear distinction emerges between the capital owner and the sellers of wage labour. Labour is then clearly commodified and its surplus value appropriated. These stages are described as 'formal' and 'real' subsumption respectively.

In what follows I shall replace these rather unclear and confusing terms with the alternatives 'indirect' and 'direct' subsumption, referring to the intersection of the capitalist land and capital, as well as labour, markets with simple commodity production. Direct subsumption involves the full commodification of the factors of production and the conduct of the enterprise on a purely profit-making basis. It may occur through the sale of the farm to a capitalist agribusiness firm, or the expansion of a family farm business to a scale where it is permanently dependent on non-family hired labour. Indirect subsumption occurs when the farm family retains nominal ownership of the farm, continues to live and work on it, but can no longer do so without reliance on the capital and labour markets, technological inputs produced off-farm, and outside expertise for the performance of many formerly endogenously provided services – e.g. artificial insemination and other vetinary services, weed spraying and control. Thus various capital fractions extract surplus value from the simple commodity producer without the necessity of owning the land.

The exchange between Friedmann (1978, 1986) and Goodman and Redclift (1985) exemplified the debate between scholars who expected simple commodity production to survive within the capitalist system into the foreseeable future, and those who considered it a temporary, historically contingent phase leading to eventual full subsumption. Contributions include those of Friedland, Barton and Thomas (1981) and Goodman, Sorj and Wilkinson (1987). A further debate between Mann and Dickinson (1978, 1987) and Mooney (1982, 1983) relates to the extent to which factors other than Marxian labour relations contribute to the resistance or otherwise of simple commodity production to subsumption. The details of this debate are not directly relevant here: what is certain is that by the mid 1980s (and long before) there was no black/white dichotomy between simple commodity production and capitalist agriculture, but a continuum with many shades of grey. Well before the onset of rapid globalisation, the family farming system was subject to a degree of penetration by capitalism's ideology, market forces and commodification of the factors of production that varied greatly both by farm type, by region and between individual enterprises. Globalisation merely intensified the pressure. Equally, though, the struggle of farm families in many Western countries to maintain their hold on their land through the farm crisis years of the mid 1980s to mid 1990s bears witness to the limitations of that penetration and the degree of resistance to it.

A most useful methodology for measuring the degree of penetration has been devised by Whatmore et al. (1987a) which provided conceptual measures of the degree of subsumption in the form of a 4 x 4 matrix with indirect subsumption, or the external relations of the farm, on the Y axis; and direct subsumption, or the internal relations of the farm, on the X-axis, with a suggested method of assessing or scoring the location on each axis (Figure 3.1). The authors then went on to demonstrate the usefulness of their approach in an empirical study of four contrasting farming districts in southern England. (Whatmore et al., 1987b). The applicability of this approach in Australia has been illustrated by Argent in his pioneering study of Kangaroo Island, S.A. (Argent, 1997, 302-305). If subsumption is seen as a one-way process acting through time, farms should move upwards and to the right along the diagonal of the matrix, along which Whatmore et al. postulate a succession of 'ideal types' ranging from the pre-subsumption original ('marginal closed unit') to the typical capitalist enterprise ('subsumed unit') at the top right. Argent's 34 studied farms, however, remained in the bottom left quadrant of the matrix throughout the crisis period from 1984 to 1993, with little noticeable change in the clustering pattern.

Fig. 3.1 Ideal types, and ordinal scaling system, to express the degree of (x) direct and (y) indirect subsumption of family farms into capitalist forms of production.

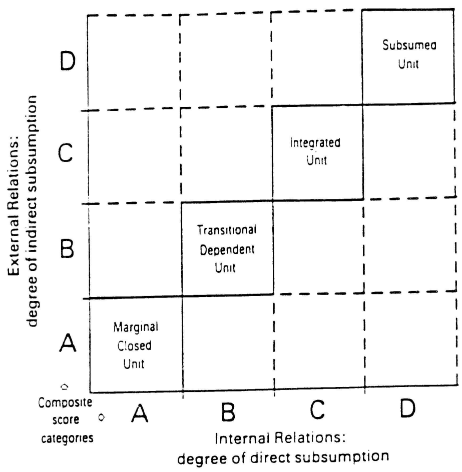
Internal Relations

FARM CAPITAL	LAND RIGHTS	BUSINESS MANAG. STRUCTURE	LABOUR RELATIONS	SCORE
Farm Family Individual head of household	**Single Owner Occupation** Sole owner-operator	**Single Unit Farm** Managed by household head	**Family Labour** Farm 1 full time family worker	**1**
Farm Family Shared and nominal corporate family ownership	**Family owner occupation**	**Single Unit Farm** Joint family management	**Family Labour** Farm More than 1 full time family worker	**2**
Farm Family Corporate ownership of single farm unit	**Corporate Family** Ownership (Nominally Renting	**Single Unit Farm** Family owned but employing manager	**Family Labour Farm** + casual hired labour only	**3**
Farm Family Corporate ownership of multi-farm unit	**Mixed Family Ownership and Tenancy** (Where both are significant)	**Multi-Unit Farm** Family owned and managed	**Mixed Labour Farm** 1-3 full or part time hired worker (hired<family)	**4**
More Than Family Corporate Involving non-farm capital	**Simple Family Tenancy** Renting from 1 non-family owner	**Multi-Unit/ Enterprise Business** Family owned employing manager	**Mixed Labour Farm** Over 3 full time or part time hired labour (hired>family)	**5**
Family and Landowner Corporate Business	**Complex Family Tenancy** (Renting from 2+ non-family owner)	**Multi-Unit/ Enterprise Business** Non-family owned and managed	**Mixed Labour Farm** Employing over 50% contract hired labour	**6**
Non-Family Single corporate owner	**Non-Family Corporate** In hand (with manager)	**Multi-Unit/ Enterprise Business** Non-family owned, employing manager	**Wage Labour Farm** All hired labour	**7**
Non-Family Multi-corporate owner	**Non-Family Corporate** Tenancy	**Multi-Unit/ Enterprise Business** Non-family owned, contract Co. managed	**Wage Labour Farm** All contract labour	**8**

External Relations

CREDIT RELATIONS	TECHNOLOGY DEPENDENCE	MARKET-ING TIES	SCO RE
None	None	None	**0**
Private or Family Loans Only	Low Tech., restricted by lack of investment capital	Limited contracts or forward sales	**1**
Seasonal Overdraft, or low burden loan or mortgage	Medium tech. intensity. Stable with limited active intensification	Marketing board contracts only	**2**
High burden mortgage or low burden mixed debts	Intensive system. Active investment and input advice	Mixed contracts or forward sales	**3**
High mixed debts	Highly intensive, using input advice and technical assistance	Extensive contracts or forward sales	**4**

'ideal types'.



Source: Whatmore et al. 1987a, 108 (ideal types) and 1987b, 106 (scoring system)

Note: Scores 1-2 on "Internal relations" equates to cell A on the Y axis; scores 3-4 equate to cell B, etc. On the X axis, score 0 equates to cell A, score 1 equates to cell B, and so on.

Regulation theory and globalisation

Whereas subsumption/resistance theorists examine the intersection between the capitalist system and the agrarian world at the level of the farm business, *regulation theory* is concerned with changes in the ground rules under which family farms must operate within the capitalist system. In the Marxist political economy tradition, it attempts a theorisation – some would say, *post hoc* rationalisation – of the way the capitalist system, despite its inherent contradictions, has perpetuated itself through adjustments to major crises. Regulation theory requires brief attention here because the most recent postulated major crisis is consistent, and coincides time-wise, with the onset of serious globalisation. Its insights on the crisis and collapse of the existing capitalist regime in the mid 1970s provide a useful backdrop to an understanding of the global-local opposition which is the heart of this thesis.

A selective examination of the voluminous literature will suffice for a basic outline. A summary of regulation theory's key concepts, and a schematic conceptualisation of change over time, is provided by Tickell and Peck (1992; 191-195) as part of their review and critique. To paraphrase their summary, the concept of a *regime of accumulation* in the capitalist world system is fundamental to regulation theory. This is understood as a substantial period of time over which the capitalist search for profit is carried out in a more or less stable and predictable socio-economic and political environment. During such a period, a degree of harmony is arrived at between the *accumulation system* and the *mode of social regulation*. Citing Lipietz (1998, 31) Tickell and Peck (1992, 192) define an accumulation system as

> A way of dividing and systematically reallocating the social product. Over an extended period of time there is a certain convergence between the transformations of production (amount of capital invested, distribution among the branches, norms of production) and transformations in the conditions of final consumption (habits of consumption of wage earners and other social groups, collective expenditures …)

Thus for a period of time there is thus a very broad accommodation between trends in the production and the consumption processes respectively, allowing the various fractions of capital to accumulate surplus value.

Such a process, though, is facilitated by and partially dependent on the existence of a compatible mode of social regulation (MSR) which includes state action and legislature, social institutions, behavioural norms and habits, and political practices, together forming the institutional and normative framework within which capitalist enterprises operate. Citing Jessop (1990, 154) Tickell and Peck (1992, 192) specify one of the four main characteristics of regulation theory as a concern with

> … the changing forms and mechanisms (institutions, networks, procedures, modes of calculation, and norms) in and through which the expanded reproduction of capital as a social relation is secured. … this expanded social reproduction is always presented as partial, temporary and unstable.

Where the MSR and the accumulation system are in a labile degree of harmony over an extended period of time, a recognisable regime of accumulation may develop. Such a regime, however, is always in danger of disruption by crises, great and small. A structural crisis arises when the existing MSR proves incapable of dealing with changes in the accumulation system, or the potential of the accumulation system is exhausted given the prevailing MSR. The crisis may last for up to several decades, until a new accommodation develops between an emerging accumulation system and MSR to produce a new regime of accumulation. Concretely, Tickell and Peck (1992, 194) summarise the regimes and crises of the past century as follows (Table 3.1):

Table 3.1 Main phases of regulation and accumulation in the 20th. Century

	To 1914	1918-39	1945-73	1974-present
Accumulation System	Extensive	Emerging intensive	Intensive (Fordist) regime	Emerging flexible (or protracted crisis?)
Mode of social regulation	Competitive	Crisis of competitive	Monopolistic (Fordist-Keynesian)	Crisis of monopolistic

Source: Tickell and Peck, 1992, p. 194.

Thus far the paraphrase of Tickell and Peck's summary. The emerging forces of globalisation in the mid 1970s are seen as coinciding with the rapid erosion of the 'Fordist' ground rules within which family farming, and rural communities in general, had operated since 1945. Sketching this Fordist regime, and criticising the adverse environmental impacts of the farming systems practised under it, Lawrence and Vanclay (1994, 91) say

> Fordism has been associated with a system of mass production based on the development and sale of standardised commodities to undifferentiated national markets. Motor vehicles, petroleum and electronics were the key elements of a system that fostered productivity increases in industry, as well as providing a social democratic system of regulation that ensured widespread consumption of mass-produced items. Full employment was a social goal of the trade union movement – a powerful agent in the Fordist regime and responsible for shaping the welfare state … Rising wage levels, which occurred in tandem with productivity increases, mitigated tendencies towards under-consumption and falling profits.

The Fordist regime of accumulation thus incorporates the whole hegemonic capitalist economy, as well as quasi-separate subsystems (such as simple commodity production) embedded within it. It incorporates agriculture through the standardised, relatively undifferentiated nature of demand for farm products, the mass-produced nature of most purchased farm inputs, and above all the ground rules for production established under the prevailing mode of social regulation. A succinct summary of the specifically Australian variant of pre-1984 Keynesian Fordism is provided by O'Neill and Argent (2005, 2-3).

At the international level, the Fordist regime in the post-war period up to the mid 1970s has been associated with the so-called 'second food regime' regulating world trade in foodstuffs (Friedmann and McMichael, 1989; Le Heron, 1993). Later Friedmann (1994, 258 ff.) identified three giant webs of interaction within this food regime: the wheat, durable food, and livestock complexes respectively. Within each web were countless State and private organisations bound up in production and consumption relations linking farmers, consumers and communities. By the 1990s, these three complexes were merging, losing distinction and changing form (Friedmann 1994, 271). McMichael (1994), taking this argument further, identifies each of them with particular, and contradictory, forms of political economy: the wheat complex with the era of national regulation; the durable food complex with agro-industrial food processing – fostered initially under national regulation, but becoming transnational; and the livestock complex, which represents the globalising era. He argues that on a world scale, national and local crop/livestock systems are becoming subordinated to the global requirements of the animal protein industry, with former staple foods being redirected as export crops for the global feedstuffs industry McMichael (1994, 281). Also on this theme, Teubal (1993) argues that post-war food aid from the United States to third-world countries eventually created an export market there, particularly for wheat (a relatively expensive food grain, on which third-world consumers became "hooked"). As aid became trade, the third-world domestic markets for traditional peasant food production were further undermined.

In a similar vein, Munton (1992, 28) argues that within its ever-expanding set of external industrial relations, "agriculture no longer supplies commodities to the food market as much as it meets the demand for raw materials laid down by the food industry." The increasingly sophisticated technology of rapid transport, preservation techniques and preliminary processing is greatly reducing the importance of local marketing of perishable as well as durable products. Under these conditions, transnational companies in the agro-food complex increasingly operate global sourcing policies for farm products, to meet a demand for mass produced food products which is both complex and diversified, and yet standardised by brand and quality (Munton 1992, 31). This trend has been intensified by the increasing concentration of buying power and the emergence of oligopoly within the food retailing sector in Western countries including Australia. More recently, the case for the regulationist approach to understanding the new economic geography under globalised conditions has been elaborated by, inter alia, Gordon McLeod (2001), who argues for its differentiation by scale and region. I return later to examples of how this impacts on rural households and communities.

Summarising, regulation theory is essentially a macro approach better adapted to aid understanding of the nature of past regulation (at a national or global scale) than to predict that which is to come. As Tickell and Peck (1992) pointed out, while there is general agreement on the nature of the Fordist regime, the timing and manner of its demise, and the emergence of a new economic geography, there is very little agreement on the extent to which the post-Fordist crisis has run its course, on the nature of the putative emerging regime of 'flexible accumulation' that may replace it, or on any associated new quasi-stable mode of social regulation that might accompany such a regime.

Circuits of capital and globalisation

A further aspect of the globalisation literature requiring attention, since it focuses on understanding the links between the national and global scales of capitalist accumulation, is the development by Fagan and Le Heron of the Marxian notion of circuits of capital. Marx in his *Theories of Surplus Value* (reproduced in translation in Freedman 1961, 192-4) explains how crises in capitalism arise in the process of accumulation, as capital changes its form from commodities (C) to money (M) and back to commodities, with failures in the many transactions that accompany this circuit giving rise to crises.

> First let us examine money in the *process of reproduction* of capital. Commodity capital must pass through the process C-M-C, the metamorphosis of capital. Crises may arise here owing to the separation of purchase and sale. The first metamorphosis consists of turning capital into money; the second, turning money into capital. Some capitals are in the process of turning themselves into money, while others are turning themselves from money into capitals. This 'mutual confluence and intertwining' of the production process is necessitated by the division of labour, and is also to some extent accidental. Thus the exchange economy, by providing the means of exchange and permitting a complex division of labour, provides the possibility under which crises may develop. (Marx in Freedman 1961, 193)

The possibility of crises arising is greatly enhanced when the circuit of capital extends widely beyond the farm and local sales typical of peasant economies, and even beyond the control of the regional and national State into global money markets. In a system of commercial farming (including simple commodity production) based primarily on export markets, this constant cycle through which capital is produced (production of commodities), realised (through sale of commodities) and reproduced (re-investment) can hardly be contained entirely within national boundaries, though with a 'single-desk' monopoly system of national marketing boards, rigid controls over lending by foreign financial institutions, and regulated currency exchange rates the circuit of capital may be essentially national as far as the farmer is concerned. In their work on the changing geography of capitalist accumulation Britton, Le Heron and Pawson (1992), Le Heron (1993) and Fagan and Le Heron (1994) have used a classification of the circuits of capital to build a model of globalisation linking regulation theory's regimes of accumulation with the increasing internationalisation of circuits of capital. This model is highly relevant to the cases of New Zealand and Australia, and specifically to the present study. (Table 3.2)

The model classifies the capital circulating in and through a nation state into four different fractions, with the mix between them partially influenced by the prevailing mode of regulation, and moving over time in the direction of greater dominance of the global fraction. The National fraction includes cases where production occurs within the nation, dominantly using domestically sourced inputs, selling the products in the national market, and relying on local capital sources for re-investment. The investment-constrained fraction includes firms which rely on capital sources within the national economy for production and reinvestment, but in which realisation occurs through international trade. Inversely, the market-constrained fractions include foreign-owned and transnational firms which rely on overseas capital for production and investment, but on the local market for realisation. During the protectionist era, this fraction was an important source of foreign direct investment as major corporations sought to capture local markets while avoiding tariff barriers – the Australian motor industry being a type example, along with farm machinery manufacturing. Finally the global fraction is exemplified by the increasing number of transnational corporations whose entire web of capital circuits is dominated by offshore linkages, in many cases involving internal transactions between diverse locations within the global corporation but outside the host nation.

Table 3.2: Change over time in the dominant circuits of capital.

Regimes of accumulation	Internationalisation of circuits of capital			Nation-State
	Production	Realisation	Reproduction	Fractions
Extensive (1870s-1910s)		(shaded)		**N** **I-C**
Restructuring crisis (1920s-1930s)			(shaded)	**N** **I-C**
Intensive (Fordist) (1940s-1970s)	(shaded)			**N** **I-C** **M-C** (G)
Restructuring crisis (1980s-1990s)	(shaded)		(shaded)	**N** (I-C) (M-C) **G**
Integrated or flexible	(shaded)	(shaded)	(shaded)	**N** (I-C) (M-C) **G**

Shaded cells indicates elements of circuits of capital where internationalisation is most dominant, in each accumulation regime. Bold type indicates major importance.

N = National capital fraction
I-C = Investment-constrained capital fraction
M-C = Market-constrained capital fraction.
G = Global capital fraction

Source: Le Heron, 1993, p. 19.

The depicted transition towards full integration with global capital in the post-Fordist era does not imply the total demise of the other fractions, but does imply a rather radical change in the balance, to some extent influenced by the regulation regime in the individual nation state. Thus by deliberately opening up the Australian economy to international capital in the early 1980s, the Hawke-Keating governments exercised a massive impetus to restructuring which affected agriculture not only directly (e.g. through the supply of credit for production and reproduction), but also indirectly (e.g. in facilitating foreign direct investment in food processing industries, forcing radical restructuring on farm enterprises supplying inputs to these industries). This model, while essentially a descriptive, non-predictive, interpretation of empirically observed events, is a very useful conceptualisation of the intersection of globalisation with the agricultural system on which rural communities are based. As mentioned earlier, it is in its intersection with the capitalist financial system rather than with its labour market that the dominant pressure on simple commodity production has come.

As we shall see in Chapter 6, for South Australian farmers it was their involvement in the circuit of reproduction (capital → reinvestment→ expanded production→ capital accumulation) that got many family farms into trouble in the middle 1980s. Large loans were made to gain scale economies and secure the future of the enterprise. On top of this, once in difficulties, their reliance on the financial institutions for short-term capital advances in the annual circuit of production (money→ production→ commodities→ money) was an extra hazard leading to entrenched farm debt. It has been shown elsewhere (Smailes, 1996) that in the Eyre Peninsula there was no relationship at all between the level of debt and farm size or farmer age; it was not a question of market forces weeding out small producers.

The conceptualisation of regulation theory and circuits of capital are clearly macro-scale, with limited direct applications to particular localities. However, an example of a case study "theoretically informed" by regulation theory is provided by Goodwin, Cloke and Milbourne (1995) in their study of four selected localities in rural Wales. They show that although the move from a Fordist to a flexible regime of accumulation has enormous consequences for rural communities, the way the regulation works out in practice is subject to a myriad of contingent, unpredictable circumstances, depending partly on the holding of social, political and cultural power; thus "rural change becomes part of a whole series of socially constructed and contested processes" (Cloke and Milbourne 1995, 1250). Embedded in this contest is the struggle between the local and the global, to be considered in later chapters of this work. Clearly, in this struggle the workings of the mode of social regulation are particularly complex where the functions of the State are exercised at multiple levels in strongly Federal or multi-tiered Local Government systems, and the outcomes are likely to be highly uneven spatially.

Globalisation and Neo-Liberalism

The process of globalisation in the post-Fordist era has been underpinned by the widespread adoption of a pervasive set of beliefs encompassed in the term "neo-liberalism" – earlier more commonly called "economic rationalism" – which emphasise and seek to facilitate the working of market forces and to minimise restrictions and barriers to the free working of these forces, both between and within nations. This extends to reduced national regulation of the relationship between labour and capital, to the removal of tariff and other barriers to the free flow of goods and capital, dismantling or weakening of the Keynesian welfare state, lowering of subsidies to specific economic sectors or regions, in the conviction that Adam Smith's "invisible hand" of the market will in the end produce the most efficient, hence most beneficial, outcome. Argy (2001) suggests that while both the Australian Labor governments of the1980s and the Coalition in the 1990s followed neo-liberal policies, the reforms of the 1980s sought to expand the national cake without seeking to change Australian norms and values relating to the distribution of the surplus through society; but that the 1990s saw the rise of a more unrestrained neo-liberalism through the increasing dominance of the "dry" or small government/minimal intervention faction within the Coalition parties.

In a perceptive study Rapley (2004) differentiates between the concepts of globalisation, which he sees as a descriptor of a condition, and neo-liberalism, seen as the driving force producing the condition, strengthening the globalising fractions of capital and eroding the mechanisms which have protected the more vulnerable classes of society. For Rapley, the nation-state and its institutions form a framework within which different regimes may come and go without radically altering the framework; neo-liberalism is seen as a regime adopted by political/economic elites primarily in the Western world, which achieved hegemony in the world economy with the collapse of the Soviet state socialist system, but is currently (early 21st century) in crisis. The crisis is due to the fact that while neo-liberalism's accumulation regime has been highly successful, its distribution regime has not had the expected automatic effect of spreading economic benefit through the society. Thus, rather than narrowing the gap between rich and poor, it has widened it, creating a perception of relative deprivation which in turn has engendered resistance and turbulence. The collapse of the traditional Left has left the masses without protection from the New Right, leading them to turn to populist movements such as the One Nation phenomenon in Australia, or to fundamentalist movements strongly – in some cases violently – opposed to all that capitalism stands for.

Two significant and comprehensive Australian reviews and critiques of neoliberalism as the driving force behind globalisation require special mention, the first by Gray and Lawrence (2001), building on earlier work by both these authors and the second in a 2005 theme issue of the journal *Geographical Research.* Characterising neoliberal belief in individual freedom, sanctity of the marketplace, minimal government involvement in economic matters, and the unimpeded flow of capital across national boundaries as a massive attack on the rights of workers and their incomes and life chances, Gray and Lawrence (2001, 18) go on to point out the particular contradictions and dangers of this ideology in rural areas. As a remotely located settler economy with a small home market, exporting more or less standardised commodities to countries seeking to protect their home agriculture from cheap imports, rural Australia has traditionally sought to free up trade, as witness its heavy involvement in the Cairns group during the various rounds of the GATT negotiations. The Country (now National) Party, once the natural political home of many regional Australians, has been heavily involved in this endeavour, along with the NFF and other farmer organisations. Many aspects of neoliberalism, such as independence, individualism, freedom from red tape and controls, etc., have appealed strongly to rural Australians, since they appear to accord well with the ideology of "countrymindedness" – which construes farming as the most fundamental of all industries and thus as a good in itself; sees policy which favours farming as automatically beneficial for all rural Australia; and positions rural and regional Australia as oppressed, held back or at least undervalued by metropolitan-based governments and elites (Share, 1995).

Country people, however, arguably have not appreciated the extent to which the pre-1980s regulation regime in fact favoured rural industry, until brought face to face with the logical consequences of its dismantling. The impact of seriously free trade on *Australian* rather than French or United States farmers – as for example in the removal of protection for the sugar industry, deregulation of the dairy industry, importation of large volumes of Brazilian orange juice as Australian oranges rotted on the ground, and so on, has forced a radical re-think of previously unquestioned values. Dubbed by Pritchard (2000) the “two-edged sword of agricultural trade liberalisation”, the very uneven spatial impact of the new free trade contributed heavily to the rejection of the National Party’s traditional values and the massive, though short lived, rise of the populist “One Nation” party.

Gray and Lawrence (2001) point out the way in which the Liberal/National coalition can overcome such dissent by political exploitation of the perceived subservient relationship of regional people to metropolitan governments. As they put it,

> The grasp which regional people have on their relationship with metropolitan Australia can be released by neoliberal rhetoric whenever neoliberal leadership desires. This ideology stokes the fires of countrymindedness and in so doing ignites the fierce independence which underpins and justifies neoliberal economics, but fails comprehensively to deliver a satisfactory future for regional dwellers.
> (Gray and Lawrence 2001, 183).

In their further analysis Gray and Lawrence (2001, 183-187), argue that much of the former State and Commonwealth complex of government infrastructure and social services is gradually being dismantled, along with the protection of small producers formerly provided by the various marketing boards. Thus neo-liberal policies to a large extent leave regional communities to sink or swim by their own effort. The *de facto* devolution of responsibility to the (ill-defined) regional ‘community’ purports to ‘enable’, ‘empower’ and encourage local entrepreneurship and enterprise, often under the guise of ‘capacity building’ and ‘partnerships’ with various government agencies. However, in the process local social capital may equally well be destroyed as built up, and existing power structures and inequalities may equally well be preserved, or even exacerbated, as reduced. Lockie (2001,292-3) points to the inherent contradictions in a philosophy that exposes regional businesses to the full blast of global competition, threatening their very short-term survival - yet expects their owners to co-operate altruistically for the common long-term good of the region.

Supplementing and confirming much of the Gray and Lawrence assessment of the impact of neo-liberalism, the 2005 *Geographical Research* anthology of papers guest edited by O’Neill and Argent contains three contributions of particular interest here – Argent (2005) demonstrates the crucial importance of scale, distance, local acceptance and trust in local resistance to ruthless neo-liberal rationalisation of services; Beer et al. (2005) lay bare the shortcomings of a neo-liberal ‘partnership’ approach to regional development; and Pritchard (2005) shows the dangers of influential but spurious neo-liberal economic analysis that treats rural and regional Australia as a spaceless homogeny. Elsewhere many writers have taken up the extreme inequity resulting from neoliberal policies (e.g. Collits 2001), and its disregard of ethics (e.g. Manning 2001). Collits (2001, 49) rightly remarks that the places least likely to benefit are small towns. Indeed, as he says “It is almost impossible to think how they could benefit”.

These themes are taken up in relation to future regional development in the present study area in Chapter 9, while in Chapter 7 I seek to illustrate the impact of such neo-liberal policy at the level of the local community.

Globalisation and uneven development within the State

Sectorally uneven development

A recent Australian government report, singing the praises of globalisation, argues that in the developing world, globalising economies have performed much better than non-globalisers in reducing poverty and inequality (Commonwealth of Australia: Department of Foreign Affairs and Trade, 2003). In a veritable paean of uncritical acclamation of Australia's own open economy, the Report is replete with vignettes and subheads proclaiming "Australians positive about trade", "Productivity, GDP per capita growing faster", "Reform drives prices lower" and so on (pp.60-64) – but essentially it treats the economy as if it were a spaceless, undifferentiated whole, and glosses over the fact that these undoubted gains have come at a serious price. Under the heading "Distributing the gains" the Report (2003, p.65) has this to say:

> Enabling all social groups to share in the gains from reform and globalisation is an important aspect of Australia's globalisation success. Sustained investments in education, training and the social safety net as well as flexible labour markets have improved social mobility, allowing people to respond to opportunities and competitive pressures and maintaining equity. Targeted retraining programmes also have assisted this process. As a result, despite the major adjustments in the Australian economy and rapid rise in living standards over the past two decades, Australia's income distribution has remained relatively unchanged.

The great majority of academic studies, however, take a much less optimistic view. As Emmerij (2000, p. 57) has observed, in general societal restructuring has failed to keep pace with economic and technological restructuring, for "labour markets, education systems and pensions are structured in the same way as fifty years ago, while the economy and technology have changed beyond recognition". At the intra-national level, within developed economies, uneven impacts of globalisation and the accompanying restructuring are ensured by its selective impacts on people of different education and skills; on different sectors within the economy; and on particular regions as a result of the uneven sectoral composition of their traditional (pre-globalisation) economies.

Regionally uneven development

The internal differentiation within nation-states has led to a degree of devolution, or change of scale, of the mode of regulation to regional, or (more generally) sub-national institutions and policies. As Rainnie (2001, 5) states for regional Victoria

> Self-help is now the order of the day, with regions competing with each other for scarce resources and also for supposedly mobile capital. This allows both government and big business to wash their hands of responsibility for local or regional development.

The resulting competition between regions represents a downward scalar extension of Harvey's concept of the 'spatial fix' as a response to endemic looming crises in capitalism (Jones, 2001). The effects of these inter-related impacts on the Australian space economy and the welfare of its population have been the subject of numerous studies (O'Connor and Stimson, 1996; Gregory and Sheehan, 1998; Fincher and

Wulff, 1998; O'Connor et al., 1998; Stimson, 2001). Arguing that globalisation has brought far-reaching changes to the Australian space economy, O'Connor et al. show that national population deconcentration has been occurring towards the 'sun-belt' (Queensland, northern NSW and south-west Western Australia coastlands), and away from the 'rust belt' (traditional manufacturing core areas of New South Wales, Victoria and South Australia), generating consumption-led economic growth in the areas of in-migration. However, at the same time, new investment in key growth sectors has been increasingly concentrated in Sydney and Melbourne, with Sydney rising to dominance as Australia's undisputed 'world city' with a concentration of high value-added internationally linked manufacturing and producer service activities (O'Connor et al. 1998, 206-207). Essentially, the argument is that the dispersal of population along with concentration of 'new economy' investment is tending to separate the geography of production from that of consumption within the space economy. Similar tendencies for concentration of 'new economy' enterprises such as e-commerce and Internet-based enterprises into a few urban centres have been noted in the United States (Zook, 2002; Gorman 2002). Gorman (2002, 534) observes that

> … the Internet is not acting as the great geographic equaliser that was predicted by many pundits. … If anything, e-business professional service firms have shown a distinctly urban bias for downtown and central business district areas in the largest metropolitan areas.

Within the 'old economy', though, the off-shore movement of many industrial processes has resulted in massive down-sizing and job losses in traditional industries, with disproportionate impacts on low-paid, low skilled workers, and those whose formerly essential skills are rendered redundant by technological change. For a wide variety of reasons, many are not capable of re-training to a level where they can realistically compete in an unfamiliar, higher-skilled job market, or in a position to pull up roots and migrate to other parts of the country. Stimson (2001), admittedly working at the rather crude level of Statistical Divisions, recognises sharply differing 'hot spots' and 'cold spots' in the Australian space economy in terms of each SD's gain or loss of share of national employment in the major industrial sectors. He demonstrates the rising inequality in income, poverty, housing tenure and affordability, concluding that as a result "it is not surprising that disillusionment, despair and alienation are not only widespread throughout Australian society, but also that they exhibit locational specificity." (Stimson 2001, 211).

Globalisation, agribusiness and Australian agriculture

Mergers, vertical and horizontal integration, and FDI

Among many writers on this topic, the works of Fagan and Webber (1994) and Laffan (2001) together suffice to provide an overview of the process through which Australian agriculture and its downstream processing, distribution and consumption chain has become caught up in the globalisation juggernaut. The restructuring of the food industries in Australia during the 1980s is outlined by Fagan and Webber (1994, based on Fagan and Rich, 1990). Four strategies are identified: first, mergers and takeovers intended to retain market share and profits in a limited national market; second, diversification by originally agri-food based industries into other sectors of the economy; third, non-agri-food based corporations diversifying into selected aspects of the food production chain; and fourth, takeovers of overseas-based food producers. During the 1990s, many of the debt-financed takeovers failed and a further recombination of assets occurred, as Australian agriculture sought to develop a ‘clean and green’ image to build exports especially to growing Asian markets; but at the same time, trends such as the rapid growth of beef feed-lotting were anything but environmentally friendly (Lawrence, 1996), while fears have grown about the ecological sustainability of the bulk of Australia’s traditional dryland farming systems (Lawrence et al., 1992; Lawrence and Vanclay, 1994). At the same time, the entry of foreign-owned food processing firms, or their acquisition of Australian subsidiaries has proliferated, as with Heinz, Unifoods, Masterfoods, Campbell’s, McCain’s, and Leggos.

Incorporating events in the later 1990s, Laffan (2001) shows that although the agri-food sector was relatively slower to respond than many other sectors, during the 1990s restructuring due to globalisation has speeded up. Among the many reasons for this acceleration are the reduction of agri-food trade barriers, the reduced restrictions on foreign direct investment in food processing, the partial globalisation of culture affecting food preferences, and very importantly the low profit margins on many food and beverage items which have speeded up mergers and rationalisation as large corporations seek scale economies and market share. Laffan traces the process in North America and the European Community, and shows how the rationalisation and merger process has extended to the food retailing sector; not only has profitability been driven down by intensive competition between major MNCs (as when the giant US retailer Wal-Mart entered the European market), but also the trend, started in the U.S., to “deep discount” food marketing based mainly on a limited range of “home brand” products sold at rock bottom prices. The latter are often produced through contract manufacturing with the raw materials sourced globally rather than locally from wherever they are available in a market dominated by the very large purchasing power of the major players. Moreover these developments have seen a relative shift of power and profit share in the food industry, from agri-food processors towards the food and beverage wholesalers and retailers – leaving the farmer even further behind (Laffan 2001, 15-16). Laffan concludes that since Australian farming has always been dependent on exports to the global market, the benefits of globalisation for economic growth in regional Australia far outweigh the disadvantages. She points out however that to secure such benefits, Australian firms will *inter alia* need to keep abreast of the global market and consumer trends, seek to become part of the global supply chains, and develop and market brands with appeal in the international market. A number of successful Australian and Australia-based MNC agri-food firms are mentioned as examples.

It requires little reflection and field experience to realise that for Australian regional communities, any such benefits involving home-grown firms may be individually successful, but are likely to be sporadic in distribution and highly dependent on local entrepreneurship leadership and access to many forms of support in the start-up phase at least. The benefits of large incoming FDI processors to a region (for example, massive beef cattle feed-lots) also need to be offset against very considerable externality problems, with limited local multiplier effects and offshore destination of profits. Moreover, any *successful* local agribusiness venture risks being quickly taken over by one of the multinationals, and development *in* a region does not necessarily mean the development *of* a region (Rainnie, 2001, 6).

Regional impact of increased specialisation in farming

Apart from the unpredictable distribution of entrepreneurship, part of the mechanism whereby globalisation produces its uneven regional impact on Australian agriculture is its tendency to increase regional specialisation in particular types of farming. A number of scholars have shown how particular types of crop and/or livestock enterprise are progressively integrated into agri-food processing chains, which in turn are increasingly dominated by transnational corporations (Lawrence, 1987, 1996; Marsden and Arce, 1995). To quote Lawrence (1996, 50)

> … facilitated by finance capital, farming [in Australia and New Zealand] is becoming progressively linked to the industrial food sector in a manner which integrates what were once (relatively) independent commodity producers. Class relations are changed, control over the production process invariably moves off-farm (with entities like banks and food companies having a greater say in production) and transnationals have a greater capacity to appropriate profits through new relations with the farming sector and via distribution arrangements.

The development of trans-nationally linked agro-industrial food chains should not be seen entirely as a one-way causal mechanism, for such chains involve both global networks and circuits, and local networks and processes embedded in the producing territories (Le Heron and Roche 1996 – especially pp. 78-82). Also, as Marsden and Arce (1995, 1271-1275) demonstrate, the trans-national information flows developed in these production-consumption chains may be guided by cultivation of trust-based relationships between producer and purchaser. Thus the local impact of globalisation can be influenced and shaped to some degree by human agency, through enterprising actors termed ‘social carriers’ by Marsden and Arce. Again, the sporadic distribution of such influential agency is likely to promote spatially uneven development. The dominant driving force, however, is to be found in the activities of major firms.

Many examples of the process of integration into agri-business dominated food-chains within particular enterprise types have been provided for Australia through the work of the Australia and New Zealand Agri-food Research Network, and associated scholars, with several collections of essays documenting excellent case studies (Burch, Rickson and Lawrence 1996; Burch et al. 1998; Burch, Goss and Lawrence, 1999; Pritchard and McManus, 2000; Lockie and Bourke, 2001). For instance, Burch and Pritchard (1996) provide a telling example of the impact of deregulation and the entry of trans-national tomato processing firms on Australian tomato producers, traditionally centred mainly in north-central Victoria. The gradual withdrawal of State mediation in the pricing process, the shift to individual contract pricing, the development of global sourcing of tomato products by the major retail chains for their generic brands, preference of major processors for bulk contracts with larger growers, and dumping of subsidised European tomato products adds up to a major restructuring of what was an important family farming enterprise, replacing a relatively steady and secure income with a volatile and uncertain future dependent on policy formulated by a few large overseas based companies.

Globalisation and indirect subsumption: contract farming

The effects of globalisation on farmers' freedom of action in the areas of land use, crop combinations, farming practice and marketing are very well illustrated in a series of papers examining the growing impact of contract farming (Rickson and Burch, 1996; Miller, 1996; Fulton and Clark, 1996). Rickson and Burch (1996, 173) identify the problem at the heart of this thesis when they point out that while land ownership, labour, the natural resource base, and farmer identity and place attachment, traditions, natural landscape, institutions, culture and language are all locality-bound and non-transferable, large agribusiness corporations practice globalised multiple sourcing of farm products for processing and marketing. This procedure requires a standardised quality of product, use of the most advanced technology available, and preferably non-dependence on any single region for inputs. Soil and environmental conservation are not a top priority for companies interested in an assured supply of raw materials.

For the advantage of a guaranteed purchaser at a predictable price, farmers contracting to produce for a particular agribusiness firm must agree to many conditions which effectively take much of the management decision making out of their hands – for example, the seed to be used, amount, type and timing of fertiliser application, time of planting and harvesting, handling and storing of products and much more may be stipulated in the contract. Farmers are evaluated, recruited and dropped as if they were employees (Rickson and Burch 1996, 187) and there is a tendency to favour larger farmers who can provide scale economies. The effect is disempowering and de-skilling, in extreme cases tending towards a caricature of the farmer as 'propertied labourer' (Davis 1990). Miller (1996) shows that in the case of Tasmania, agribusiness firms dominate marketing within a wide variety of enterprise types, but in the special Tasmanian circumstances of multiple potential buyers and a limited area of first-class agricultural land, for many farmers contract marketing can be an advantage, though outcomes for both farm (soil conservation) and farmer tend to vary between those contracted to agribusinesses of local origin, and those arriving as fully-fledged international corporations. The impact of globalisation appears particularly strongly in the case of potatoes, where by the mid 1990s some 95% of the Tasmanian crop went to just two international processors, almost all for export from the island (Fulton and Clark, 1996, 222).

Reduced solidarity within the farm sector

A further serious impact of globalisation on Australian farming is the weakening of solidarity between producers within the various enterprise types. The progressive deregulation of marketing boards formerly dominated by farmer organisations, commented on by many writers (eg. Pritchard, 1998) along with reduced protection against imports, has favoured the larger, more efficient producers, including a still small but growing number of corporate enterprises. The perception by smaller, struggling family enterprises, owners and employees of country town businesses, and urban residents left redundant by the offshore movement of jobs has been reflected in the One Nation protest vote upsurge in the late 1990s. Pritchard (2000, 98-101) argues that economic modelling of the advantages of freeing up international trade regards the subjectively defined 'national interest' as of overriding importance, fails to recognise the plight of the losers from the changes, and makes little provision for their compensation; moreover, the prospective gains from free trade are likely to go to the larger producers.

Summary: so what has changed?

So, from the viewpoint of South Australian farm households and rural communities, what has actually changed over the two decades since 1984? Sorensen and Epps (1993) provide a concise review of the major trends operating up to the early 1990s, modelling the decision-making processes that influenced the opening of the Australian economy by the Hawke/Keating governments. Legitimation of economic rationalism, they suggest, arose through a concurrent move to corporatism among key actors, replacing fragmented pressure groups by a virtual consensus between trade unions, big business and government. The two authors' concise listing of both micro- and macro-economic reforms tend to favour agri-business firms over family farms and major retailers over small rural traders. Their conclusion: "The outcome of all these is a leaner, better focused and more efficient public sector, and the greater subjection of the private sector to market forces" Sorensen and Epps 1993, 10).

Continuing the story in the same volume, Walmsley (1993) outlines the way the Australian Labor Party ("the best conservative government since 1949") tackled the abrupt switch from its traditional socially oriented policies towards economic rationalism. His summary list of reforms (p. 48) is worth repeating:

- Deregulation in the finance sector
  - The floating of the dollar and abolition of exchange controls
  - Reduction of interest rate controls
  - Entry of foreign banks into the domestic market
- Liberalization of foreign investment policy
- Tax reform
- Industry policy
  - Tariff reduction
  - Encouragement of Research and Development
  - Deregulation of the crude oil market
  - Relaxation of export controls
- Deregulation of domestic aviation
- Improved efficiency in government programmes
  - Means-testing welfare
  - User-pays principle and increased cost recovery
  - Administrative reform

Walmsley's contention that the beneficial effects of the bulk of these measures bypassed rural Australia, whereas the negative effects were fully experienced, is well borne out in the present study. In particular, the largely unforeseen problems caused by financial deregulation, which revolutionised the agriculture-finance relationship (Argent 1996) bore down heavily on outlying rural regions such as the Eyre Peninsula and the Murray Mallee. Compensations have been few. No foreign bank branches entered these regions and relaxation of foreign investment controls brought no productive investment there[5]. Airline deregulation brought benefits only to the major national routes, and tariff reductions on imported capital goods could not benefit farmers struggling with entrenched debt.

Complementing the above listings of the brave new world's ground rules is the succinct listing by O'Neill and Argent (2005) of what has been lost from the home-made version of Keynesian-Fordism that prevailed in Australia during the long boom. These authors list four pillars of national macro-economic policy for at least three decades after 1946: (my paraphrase of O'Neil and Argent, 2005, 2-3).

1. The centralised wages and arbitration system, which regulated both work and remuneration.
2. The development after Federation in 1901 of a national economic space, enabling national economic management through use and control of the tariff mechanism.
3. Regulation of the monetary system
4. The adaptation of the Australian national system to the international order in company with other advanced countries (later to become the OECD), secured through signing the Bretton Woods agreement.

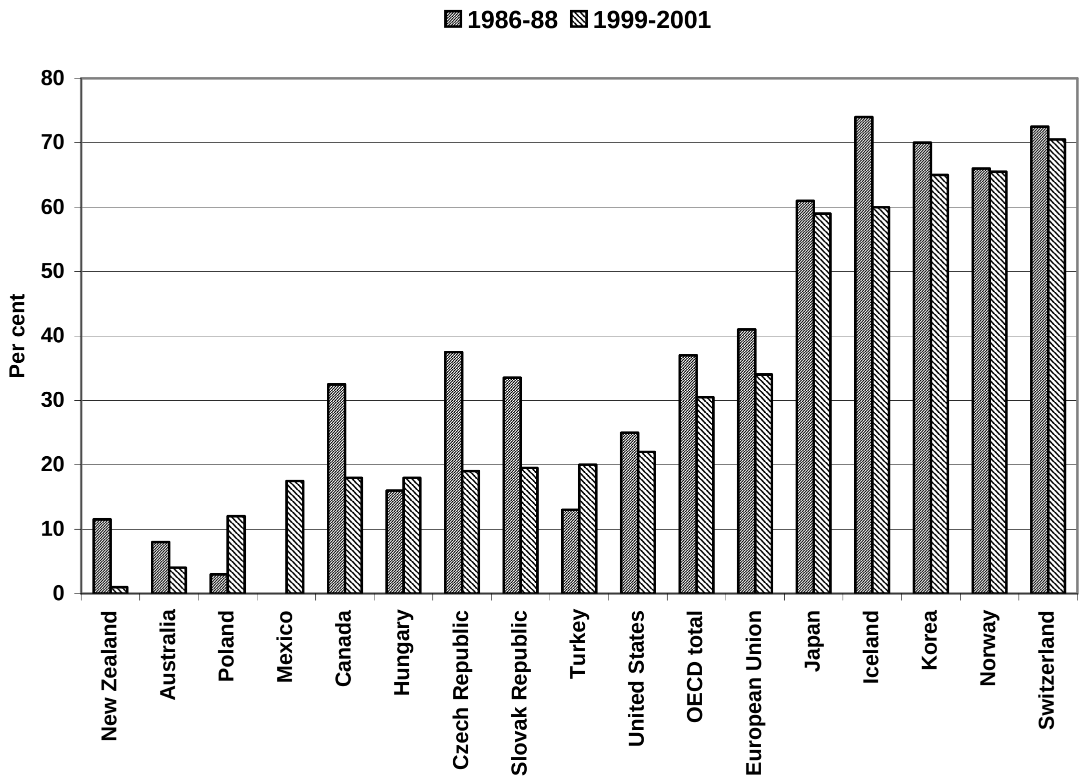
At the time of writing (2006) the first three of these were already gone or greatly weakened. As to the fourth, Australia was still fully connected to the international economy, but the Keynesian-Fordist mode of international regulation had given way to one where neo-liberalism holds general (though not uncontested) sway, and nations find their own comparative advantage in the theoretical "level playing field" of the global market. Just how level that playing field is for Australian agriculture is shown in Figure 3.2 (next page). The Figure says it all.

Conclusions and reflections

This chapter has presented globalisation, backed by a hegemonic neo-liberal ideology effectively permeating both major political parties since the early 1980s, as an extremely powerful set of exogenous forces changing the economic ground rules under which Australian rural society operated under the Fordist regime. It is important to remember, however, that land-based production in Australia has always been subject to global market forces, and rural society has passed through many previous crises without losing resilience. While that society cannot but be heavily impacted by the massive forces of change described here, it is highly unlikely to be totally destroyed. The analysis thus far has essentially been of a structuralist nature, and has posited structural change as the independent variable and pro-active, driving force, and human agency as the reactive dependent variable. Moreover, a high proportion of the globalisation literature relates to the impact of globalisation on nation states, in many cases treating the economies of these states as if they were spaceless and the factors of production assumed to be mobile within them. 'Regionalisation' at this level is conceived as the grouping of clusters of nation states, as in the EEC or NAFTA.

[5] This may not have been altogether negative when the externalities produced by some overseas investments such as beef feedlots in NSW are considered.

Fig. 3.2 Producer support estimate in OECD countries (% of value of gross farm receipts)



Source: Ash, K. (2003, 143)

The theories and concepts of simple commodity production, subsumption, regulation, circuits of capital and neo-liberalism reviewed in this chapter are all essentially structurally related and operate for the most part at macro scale, dominantly within the thought-worlds of economics and political economy. I have sought to trace them from global to national to regional scale, but as the geographical scale of resolution moves to the local end of the spectrum, such theories lose their explanatory power and become subject to a host of contingencies and local circumstances. Human agency exerts a much greater relative influence at the local level, as do structural factors of a social and cultural (as opposed to politico-economic) nature. Moreover, thus far at least globalisation has had a more direct impact on economy than on culture.

A pervasive feature of globalisation which this chapter has identified is its tendency to further exacerbate the characteristic unevenness of capitalist economic development. Hence a major question is the extent to which globalisation is promoting differentiation within and between rural communities, and whether or not such changes are predictable in relation to such factors as resource base, location and population density. As will be seen, even at the intra-national level, movement of information and capital is extremely easy in relation to the movement of 'labour' (i.e. real people and families migrating in search of employment). Inertia, established social networks, and invested economic and social capital all encourage resistance to such relocation and slow down the pace of change. Even more important are the forces that generate localism and place attachment as a major counterbalance to globalisation, and these are assessed in the next chapter.