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GLOBAL FINANCE/LOCAL CRISIS

THE ROLE OF FINANCIAL DEREGULATION IN THE GEOGRAPHICAL RESTRUCTURING OF AUSTRALIAN FARMING AND FARM CREDIT: THE CASE OF KANGAROO ISLAND

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ABSTRACT

Of all the restructuring pressures brought to bear on Australia's farm sector and rural society in recent years, the deregulation of the national financial system in 1984 has been widely regarded as one of the most important. Yet, for many proponents of financial deregulation, a liberalised banking sector and floating exchange rate were to deliver considerable benefits to the farm sector. This thesis examines the impact of the deregulation of the Australian financial system upon farm families and rural communities by firstly, exploring the relative economic and social importance of agriculture (and rural society) to the economic and social prosperity of Australia since 1945. The consequent intertwining of public policy and farm and rural policy during this period is also explored. Secondly, the research attempts to reveal the social and economic effects of the deregulation on the economic vulnerability of farm families and rural communities via a case study of Kangaroo Island's farm debt crisis.

Drawing on an extensive review of the agrarian restructuring literature and the philosophy of critical realism, the abstract concept of the agriculture-finance relation is developed to inform the temporally- and scalar-sensitive and causal analysis of the role of financial deregulation in the contemporary economic restructuring of rural Australia and New Zealand.

A questionnaire and extended interview survey of randomly selected Kangaroo Island farm families was conducted in 1994. Extended interviews were also conducted with a number of relevant financial institution staff to ascertain how these institutions had interpreted the competitive environment after deregulation.

The research finds that financial deregulation has, via the removal of interest rate controls and the privatisation, commercialisation or abolition of the public farm finance programmes and agencies established during the post-Second World War period, fundamentally realigned the agriculture-finance relation in the banking sector's favour. Empirically, the research demonstrates how, and with what effect, the aggressive lending and marketing strategies of the State Bank of South Australia were transmitted to the regional and household scales on Kangaroo Island. The reflexive character of this restructuring process is revealed by the strategies of resistance and assistance employed by farm families, local community organisations and institutions in support of local families and the broader community. In the case of the sampled farm families, the gendered character of these survival strategies was observed, as is the importance of these strategies to the survival of the farm.

The thesis concludes that, despite the hegemony of economic rationalism in contemporary public policy circles, public financial institutions, charged with the support of agricultural and other small business development at the regional level, are a necessary intervention to help maintain the family farm production base. Given the importance of debt finance to present-day capitalist agriculture, the research also emphasises the need for a higher degree of financial expertise among farm families to manage the growing complexity of financial products and the increased scrutiny of the farm business by creditors.