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## 1. *Introduction*

State governments have had a close association with the Department of Agricultural Economics and Business Management at UNE whose graduates have been and are a source of staff for most state departments of agriculture. It is worth noting too that a large number of Australia's leading agricultural economists spent time in state departments of agriculture early in their careers, e.g., Campbell, Lloyd, Gruen, Dillon, Parish, and Freebairn, to name only a few.



I intend first to review briefly the history of agricultural economics in the state government sector, then to spend some time discussing the role agricultural economists play in this sector. I will conclude by making some brief observations about the future. While I have obtained information from agricultural economists in other states, the views expressed are obviously biased towards the experiences of agricultural economists in the N.S.W. Government sector.

## 2. *History*

### 2.1 *The Beginnings*

A review of the development of agricultural economics in the state government sector throughout Australia reveals a similar pattern in most states. Throughout the 1930s and 1940s several states employed an individual economist although not as part of a formal section. In Queensland and

New South Wales the Departments of Agriculture had Marketing Branches headed by a Director of Marketing. These activities in both States followed the introduction of marketing legislation in the 1920s - the Marketing of Primary Products Act of 1927 in New South Wales and the Primary Producers Organisation and Marketing Act of 1926 (a consolidation of two earlier Acts) in Queensland. The main objective of this legislation was to allow the formation of marketing boards, although the N.S.W. Act specifically included provisions establishing a State Marketing Bureau to collect economic data such as prices, production statistics and costs of producing agricultural commodities.

New South Wales was the first State formally to create an agricultural economics section. The intention to establish an agricultural economics research bureau was announced by the N.S.W. Premier, William McKell, in an agricultural policy speech in April 1941. The Agricultural Economics Division had its origins with Sir John Crawford. In March 1941, Sir John, who was then an economist with the Rural Bank, was appointed as an economic adviser to the Department of Agriculture. Following submissions by Crawford, the Division of Agricultural Economics was established in October 1941 with a staff of four supervised by Crawford. The activities of the new Division included cost-of-production surveys, investigation of economic aspects of fodder conservation, land settlement problems, farmers' debts, marginal-area problems, land-use surveys, market outlets for agricultural commodities, and special studies of wartime problems, organisation of industries, price-fixing and disposal of surplus products.

It is interesting to note some comments on Departmental files relating to the setting up of the Division.

One senior Departmental officer commented:

I concur with the views of others that a strong agricultural background of experience is essential before an economist can be regarded as an agricultural economist.

And a principal of an agricultural college advising the then Department Head on the type of staff said:

The pure economist misses badly when it comes to rural economic problems. In the first place he

doesn't understand either the scope or the needs, and, in the second place, he is too ignorant of rural affairs to be acceptable among the people with whom he must work and for whom he serves.

The mid-1950s saw the expansion of the number of economists in the N.S.W. Department and creation of economics divisions in other states. Economists were first employed in the South Australian Department in 1955 and in the Victorian Department in 1953. In Queensland, the Marketing Division remained as a single unit until a reorganisation in 1958 resulted in the creation of a Marketing Services Branch and an Economic Research Branch. An important feature of the N.S.W. developments, followed by some of the other states, was the trainee system which, in part, was responsible for the high quality of staff found in the N.S.W. Division. (By then there had been an amalgamation of the Marketing Division and the Agricultural Economics Division.) These developments in the 1950s reflected a demand for more economic data for advice to farmers and a need for understanding of the economic aspects of the agricultural sector. Other factors which had an impact on the development of agricultural economics in the state government sector appear to have been in response to creation of the BAE and the perceived need by departments for economic advice when participating in the Australian Agricultural Council and the Standing Committee on Agriculture. It is interesting to note that these major developments occurred at around the same time as the Department of Agricultural Economics at UNE began.

As other speakers have noted, the mid-fifties was the take-off point for the agricultural economics profession in Australia, with the work of agricultural economists being concentrated on production economics and surveys.

## *2.2 The Expansion*

The 1960s was a period of expansion in the agricultural economics sections of state departments. The impetus for this expansion was the interest in farm management. As P.C. Druce, then Chief of the N.S.W. Division of Marketing and Agricultural Economics, noted in his comments at the first Conference of Agricultural Economists in 1956:

In my opinion the most important function of the

States in the field of agricultural economics is in farm management - both research and extension.

There was a general interest in farm management as whole-farm management groups as well as several recording schemes - of varying success - were established. The rapid expansion of farm management groups in the 1960s was made possible by the utilisation of computer data processing which, although in its infancy, did make techniques such as LP more accessible.

The role of departmental economists was not in disseminating such farm management information directly, but in assisting technical advisers such as livestock officers and agronomists to take a broader approach to advisory work.

The expansion in economics staff together with the interest in farm management resulted in the establishment of regional economists' positions. In New South Wales the first such position was established in 1960, in Queensland in 1963, and in South Australia in 1967. This development was aided by the Commonwealth Extension Services Grant.

The emphasis on farm management moderated in the 1970s, but in the early '70s the number of economists continued to expand then, in the late '70s, as financial constraints started to have an impact on state public services, generally appeared to stabilise.

The 1970s also saw the focus of economists' work shift to policy analysis and advice. This, I believe, was because of the economic situation facing the agricultural industries, requests for assistance, and structural adjustment pressures. At the same time, the IAC began its activities and the Green Paper on rural policy was released.

This emphasis on policy analysis has continued in the 1980s with a recent emphasis on marketing.

### 2.3 *Current Numbers*

State	Head Office	Region	Total
New South Wales	24	18	42
Victoria	19	11	30
Queensland	35	23	58
South Australia	15	5	20
Western Australia	15	3	18
Northern Territory	4	1	5
Tasmania	7	3	10
<b>TOTAL</b>	<b>119</b>	<b>64</b>	<b>183</b>

### 3. *Role of Agricultural Economics in the State Government Sector*

#### 3.1 *General*

As outlined in the previous section, agricultural economists are now an accepted part of state departments of agriculture. It is possible to identify five main areas of work: policy advice, farm management, applied research, community information and outlook, and general economic services. All these areas can be considered as ultimately providing information to improve decision-making, whether it be at the policy level or farm level.

The real distinguishing feature of agricultural economists in the state departments is that they are part of a network of technical staff such as agronomists, livestock officers, veterinarians, inspectors and agricultural scientists. This has the advantage of enabling economists to work and interact with other disciplines - but does have its difficulties, particularly in policy.

The other general point which should be made is that the leaders of state departments of agriculture are usually from the ranks of technical professions. On the odd occasion (e.g., recently in South Australia) that a top departmental administrator has had an economic bent, there has been a subsequent upgrading of the role of economists in that



department.

Generally, I consider that economists have had a significant impact. In state government they have always been subject to a constant demand for general economic services and enquiries. In recent years, however, there has been an increase in their short-term *ad hoc* duties which, combined with an increased policy role, has made it more difficult for state government agricultural economists to undertake long-term research projects.

From accounts of early years in my Division and also from its *Review of Marketing and Agricultural Economics* at the time, it is clear that economists in Head Office had more time available for long-term research projects. Today, unless it is directly related to an existing or emerging policy issue, it is nearly impossible for such economists to justify a research project.

Locating agricultural economists on research stations has not been popular in state departments, although at present there are three such positions in New South Wales. I see this, however, as an area in which state-employed agricultural economists can have a significant impact and would hope to see it become an area of growth.

Recently, in South Australia, a systems research group has been established and is located in the economics division. While the systems approach has been around for a long time and has been operating successfully, e.g., in the international agricultural research centre network, it has not been well developed in state departments of agriculture in Australia. However, this is an area where the emphasis on empirics and quantitative methods in agricultural economists' training enhances the role of economists. This is particularly important now as many biotechnical experiments can be modelled on the computer, in some cases much more effectively than by traditional experimental methods.

Economists located on research stations are rarely as disadvantaged as regional economists. The number of enquiries faced by the latter, and the demand on them to undertake short-term research projects, often make it difficult for them to undertake longer term research projects and may even cause promotional problems.

In some states, regional economists have no research brief. Their role is regarded as advisory, they are solely responsible to regional administrators, and thus they have little professional contact with the economics division.

The concern I have about the current situation is that the time available for worthwhile research has diminished. The fact that so much of the economist's time is devoted to working parties, committees, task forces, etc., means a considerable amount of work is not published and, consequently, is not made available to the profession generally. If agricultural economists in state departments are to contribute to the profession as a whole and be subject to outside peer review, this balance must be redressed.

In recent years, changes to state public services generally have had a major impact on the role of state-employed agricultural economists. In New South Wales the Wilenski Report has altered the traditional idea of an independent public service, and departments are more responsive to ministerial and governmental objectives. There has also been a trend towards the use of generalists rather than specialists: policy advisers dealing with economic issues, for example, often have no training in economics.

The related general point is that the traditional concentration of economists in agricultural economics has been reflected in state public services. In New South Wales, there are forty in the Department of Agriculture and seven in Treasury. Recently, however, in New South Wales, Forestry, Water Resources, Mineral Resources, Environment and Planning, Pollution Control Commission, to name a few, have also employed economists, often agricultural economists. So too has the Electricity Commission - even if its advertisement included amongst the requirements an engineering degree.

### 3.2 *Policy Advice*

The role of agricultural economists here involves advising departmental executives and ministers as well as participating in Standing Committee/Australian Agricultural Council briefings, working parties, IAC and various *ad hoc* enquiries.

Because of the constitutional division of powers, agricultural economists in state government have not to a great extent been directly involved in trade issues or in

general macro policy issues such as exchange rates, inflation and interest rates. States are more concerned with pricing policies, marketing authorities, resource policy, e.g., water and land use, and such other matters under the direct control of state governments.

State economists have a strong role in advising for SCA/AAC which is the major policy forum on agricultural issues between the states and the Commonwealth. For a short time, there was an official Marketing and Economics Committee of Standing Committee but, since its demise in 1978, the involvement has been through advising Standing Committee representatives or participating in working parties.

The increasing policy role of agricultural economists in state government raises the question of how to provide the policy advice. Agricultural economists are well trained to advise on efficiency aspects of government intervention but, particularly in state governments, they are constantly faced with equity or distribution aspects of policy.

As Seiper has highlighted so well in relation to Australian agricultural policy, policy decision can be explained as well by distributive theory as by public interest theory. I believe it would be generally agreed that both these theories are needed to explain the way governments operate at different times on different issues.

A purist would say that economists should push the efficiency line and that direct measures should be used to correct the distributional effects. Even this implies that economists should be able at least to identify the distribution of gains or losses as well as the efficiency effects. However, in reality, if the economist in state government is to be used as a policy adviser, he/she has to be making firm recommendations. On these equity issues, the economist also has a role in pointing out where others (technical people) are making value judgements.

I would agree with Alan Lloyd that most senior public servants have a genuine concern for the pursuit of the public good. However, as he points out, there are other competing loyalties as well as the understandable concern for career advancement. He also notes that excessive personal loyalty to a minister is not unknown. Departmental loyalty often plays a major role in policy advice, particularly in rivalry with other

departments. By citing his experience in the N.S.W. Department of Agriculture in 1949, Lloyd illustrates how divisional loyalty can encroach on concern for the common good. At that time, he became embroiled in the "battle of the fats" in which the Dairying Division automatically supported margarine restrictions and the Division of Plant Industry supported vegetable oils. Given my own recent experiences with dairy policy, I can assure Alan that divisional loyalty is as strong as ever.

As a general rule, divisions are loyal to industry views because they identify with the industry and have close working relationships with producers in particular industries. On the other hand, when economists are requested to give neutral economic advice, they are generally regarded as "anti-industry" or "anti-agricultural". Indeed, in some quarters, particularly by those industries which are receiving relatively high rates of assistance, we are seen as a consumer's lobby group in disguise - or as mad free-marketeters.

Professional loyalty plays a vital role and can make politicians wary of the advice received, particularly from economists.

While recognising the broader implications of issues, economists are also faced with state loyalties. This is obvious from some state departments' IAC submissions.

All these conflicting loyalties are best summed up by an analogy I have adapted from Alan Lloyd on the role of an economist:

[It is the same as] playing a football match on the opponent's home ground, running against the wind and [having] the referee paid off by the opponent's supporters.

To sum up the present situation, I think that economists in state departments have increased their scoring rate, although maybe not their win/loss record.

There is one other concern I have about policy formulation in the state government sector and that is the lack of public debate: there is no equivalent forum to the IAC. I think this is because so much is carried out behind

closed doors and because independent agricultural economists have been inactive or have ignored current issues in their research.

### 3.3 *Other Areas*

#### (i) *Farm Management*

The role of economists in farm management is well accepted in state departments, but there is always a question of how much an economist should be involved in providing advisory information as opposed to acting as a resource person for other advisory staff. I support the resource person approach and believe this is generally accepted. Also accepted is the fact that departmental economists should stop short of individual farm management advice which is the domain of farm management consultants.

The recent computer developments have sparked a renewed interest by departmental economists in farm management. At the same time, these developments have highlighted the fact that economists in regions have a broader role than previously perceived and do undertake applied regional research. Consequently, in New South Wales, five new positions of farm management adviser have been created. These will supply resource people concentrating on farm management.

#### (ii) *Research*

As I have already said, increasing constraints and less freedom make it difficult for state department economists to undertake longer term research. However, research is still possible and must be supported if economics divisions are to preserve professional standards and maintain their stock of human capital. Important areas of economic research certainly exist, and two ways of exploiting them are to locate economists on research stations and to obtain industry research funds.

#### (iii) *Commodity Information and Outlook*

This is an important part of state department agricultural economic services. State economists have a complementary role to play in disseminating the national outlook information of the BAE and in providing a state perspective.

#### 4. *Conclusions*

I have no doubt that agricultural economists will continue to have an important role in state government, particularly in departments of agriculture. The policy advisory role will continue to increase in importance but will expand beyond the traditional areas such as marketing.

There are several important areas where agricultural economists now have little impact but where they are likely to in the future. These include the field of land and water resources and the general field of regulation, both in the food marketing area and in production areas such as pesticides and animal health.

Another important field will be the study of regional impact of policy. IAC enquiries have shown up a deficiency in this area. State agricultural economists should be adapting for regional use the various econometric and input/output models available. The soon-to-be-developed input/output tables for New South Wales should facilitate such research in that State.

In the traditional area of marketing, agricultural economists face challenges in food marketing and need to come to grips with the "business marketing" approach.

As mentioned previously, my main area of concern is the need to ensure that, despite increasing pressures on them for short-term *ad hoc* analyses, agricultural economists in the state government sector are given the opportunity to undertake worthwhile research.

