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PROCEEDINGS
OF THE
SECOND INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
CORNELL UNIVERSITY,
ITHACA; NEW YORK,
AUGUST 18 TO AUGUST 29, 1930

The Collegiate Press
GEORGE BANTA PUBLISHING COMPANY
MENASHA, WISCONSIN

1930

3 cards

*Australia, Land settlement
Land settlement, Australia*

SOME SETTLEMENT PROBLEMS IN AUSTRALIA

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I PROPOSE with your permission to make a few comments on some of the factors which have, or are said to have, influenced the rate and type of settlement in Australia, and then to give a brief outline of an experiment in transferring population from Great Britain to Australia which has ended in widespread unemployment and distress.

In area, Australia is almost as large as the United States (about 3 million square miles) with a population somewhat less than that of New York City (about 6.5 million) scattered round its edges. Because of its geographical position in close proximity to Asia the question of defense has always had a large place in national policy and is closely tied up with the question of settlement. Although the powerful trade union organisations were opposed to assisted immigration, the federal government was able to obtain public support for its post-war immigration agreements with Great Britain by emphasizing the importance of a large population in defense policy.

Australia is large in area but it is now agreed that at least one-quarter of it, in a great central block, is too arid to be of economic importance. Unfortunately most of this useless area is in the temperate region. About one-third of the continent is in the tropics. There has been much argument as to whether a white community can settle a tropical area. The present population of northern Australia apparently enjoys unusually good health, perhaps because of special selection, but the fact to be emphasised here is that this population depends for its living mainly on the sugar industry which is highly subsidised for political and not for economic reasons. Notwithstanding these disadvantages, there is much good farmland in Australia. Professor Griffith Taylor, a well-known economic geographer, has attempted to classify the lands according to their productive capacity. He classes a little over half the continent as suited only for pastoral uses—this may produce great wealth in sheep and cattle but will carry only a sparse population. About one-quarter of the whole area is said to be suitable for crops, but this estimate is arrived at solely on the basis of rainfall

(amount, variability, and effectiveness) and does not take into consideration varying topographical and soil conditions. It is certain, however, that there is a large area of land now used for grazing which is well suited to wheat production under dry-farming conditions. This type of farming, however, calls for large capital and few men. The gradual realisation of the nature of the agricultural frontier is bringing about a change in the land policy of the states. So far this policy has been based on the idea of the living area—*i.e.*, on getting the maximum number of people on the land at a decent standard of living; the change is in the direction of getting the maximum economic returns from the land, irrespective of the number of people settled upon it.

In his classification Professor Taylor draws attention to the limited area in the temperate region receiving more than 30 inches of rain per annum—the area that in other countries is used for intensive cultivation and carries a dense farm population. This area in Australia is limited to a narrow strip on the east and south-east coasts and a small corner in the south-west. Small sections of the semi-arid land are suited for and can be irrigated for intensive cultivation, but this involves high capital charges. Of the total estimated crop-land probably not more than 7 per cent has been under cultivation.

In addition to its land resources, Australia has considerable coal resources, mostly in the eastern states, and some minerals, but so far no oil in commercial quantities has been found—a fact of great importance since the development of the internal combustion engine. It also lacks good waterways, which accounts in part for the fact that there is more railway mileage per capita in Australia than in any other country. Professor Taylor has estimated that if Australia had 20 million people it would be as densely populated relative to its natural resources as is the United States with 120 million people. This estimate has been much criticised, but it serves well enough as a basis of comparison between the natural resources of the two countries.

The population of Australia has been increasing rapidly over a long period at the average annual rate of 20 per 1,000. It is characterised chiefly by its homogeneity, about 98 per cent of the people being of British stock. This is the result of a deliberate national policy which has had almost unanimous support. Chinese

immigration was first restricted, then Japanese. When the American immigration laws went into effect, part of the tide from southern and eastern Europe was diverted to Australia. The result was most noticeable in Queensland where increasing numbers of Italians entered the sugar industry despite local opposition which eventually forced the Commonwealth Government to enter into agreements with various European governments for the limitation of the numbers of their nationals emigrating to Australia. The net immigration from Europe is now negligible. This attitude to foreigners is important from the point of view of settlement because it means that on the whole the only immigrants welcome in Australia are the British. But they are almost entirely from industrial centres. The difficulties involved in settling industrialists in a new country have led to an increasing importance being attached to juvenile immigration particularly of youths from 14 to 21 years of age. But juvenile immigration has its own difficulties and these have not always been successfully overcome.

This small homogeneous population is highly urbanised—about 62 per cent living in metropolitan and provincial urban areas. It is perhaps more important to note that it is highly centralised, nearly half the total population being concentrated in six capital cities. The effect of such centralisation on the development of rural areas is very great, both from an economic and a social point of view.

Turning to the economic organisation of Australia, one important fact to be noted is the part played by the governments, especially the state governments, in providing capital for developmental works. In 1928 the total public debt per capita was 174 pounds sterling; of this 59 pounds represented Commonwealth debt and practically the whole of this was dead-weight war debt—a small matter which seems to have escaped attention at international debt conferences. Most of the state debts are for public works, especially railroads. Australia was not an attractive field of investment for private capital last century except for the sheep industry, and when the gold diggings were exhausted and large numbers of men were looking for work, pressure was brought on the state governments to find capital for opening up the country. Government borrowing in Great Britain has been facilitated by the status of colonial loans which are treated as trust securities, and

full opportunity has been taken of this advantage. It has been argued that the rate of development in Australia should have been determined by the inflow of private capital. Though I do not propose to deal fully with this argument, I should like to emphasize one point that has been made by the critics. If private enterprise had been sufficiently interested to undertake railroad development in return for land concessions, it is probable that the mileage of railroad in new areas would have been considerably less, but that the use of lands along the existing lines would have been more intensive—and the more intensive use of such lands is a question of great importance at the present time.

Apart from government borrowing, the two factors in the economic organisation of Australia which, in the opinion of visiting experts, have had the greatest effect on the primary industries are the tariff and the legal minimum wage, and these factors directly affect each other. A short time ago a British economic mission visited Australia and in their opinion "the combined operation of the tariff and of the arbitration acts has raised costs to a level which has laid an excessive and possibly even a dangerous load upon the unsheltered primary industries which cannot pass on the burden to other sections of the Australian community and consequently as between the various states, upon those, notably Western Australia, South Australia and Tasmania, which are poor in manufactures and are principally concerned with primary production."

With reference to the tariff it is worth noting that after the war the farmers organised a political party and at first it was expected that this party would be sufficiently influential to get a reduction in the tariff. Instead, however, those engaged in such industries as dairying, fruit-raising and so forth, have concentrated their attention on getting protection for their home market, and sufficient protection to permit a level of domestic prices high enough to provide a fund for the subsidising of the export trade. May I point out however that this has only been possible where the larger part of the production is consumed at home, as with butter, or the product is of minor importance in the family budget as with dried fruits, or for important political reasons as with sugar.

Recently an attempt was made by a group of economists and statisticians at the request of the Prime Minister to measure the cost of the tariff. Their work, as they said, was tentative and

exploratory, but they arrived at the unanimous conclusion that in 1926-1927 the cost of protected manufactures (*i.e.*, the excess cost of producing goods in Australia over the free import price of such goods) was about 26 million pounds sterling; and of agricultural products including butter, dried fruits, and sugar, about 10 million pounds; and that this had caused an increase of about 10 per cent in the general price level. Owing to compensatory advantages, however, they estimated that the net burden on the export industries averaged about 8 per cent. Developing their argument further they came to the conclusion that without the tariff the agricultural margin would have been shifted farther out but not sufficiently so to compensate for the loss in secondary industries, so that a population of the present size could not have been maintained at the present standard of living; that is to say, without the tariff, they are of the opinion that the population would have been smaller or poorer.

The other factor of major importance in production costs is said to be the legal minimum wage which obtains generally throughout Australia in organised industries. There is much argument in Australia about the level at which the minimum wage should be fixed, but there is fairly general agreement as to the desirability of fixing a minimum wage and this is based on the social philosophy that a person willing to work has a right to as decent a standard of living as the general circumstances of the time permit. If the legal minimum wage is one of the problems of settlement then those problems are philosophic as well as economic. But though it is not practical politics to suggest the abolition of the minimum wage, even were such abolition desirable, there are two questions which must be dealt with as soon as possible.

One is constitutional and results from the overlapping jurisdictions of the Commonwealth and state wage-fixing courts. The Commonwealth court fixes the minimum wage in industries in which employers or employees are organised federally, and the state courts fix the wages in industries in which they are organised on a state basis. These minima sometimes differ considerably in the same localities and result in widespread dissatisfaction. The other question is the method of fixing the wage. In the dominant federal jurisdiction the basic wage now rises and falls automatically

with the cost of living, a system which is open to criticism as "tending to deprive employees of any interest in the prosperity of the industry in which they are connected." No one has been able to work out a satisfactory alternative.

With your permission I shall now outline the settlement policy and experience in the past decade. Under the constitution the states retained authority over the land resources, so that settlement schemes even though promoted by the federal government are administered by the states. After the war, the government endeavoured to fulfill war-time promises to make provision for returned soldiers who wanted to settle on the land. Construction works were undertaken at the peak of prices. Since then, the chief occupation of the departments concerned seems to have been writing down the capital charges. Up to June, 1927, over 45 million pounds sterling had been advanced on soldier settlements and of this over 36 million pounds was still outstanding.

While the states were still busy with the returned soldiers, a series of proposals was made by the British Government for the settlement of British immigrants in the various dominions including Australia.

So far as this affected Australia, these proposals provided for contributions from the British Government towards costs by making cheap loan capital available and by giving assistance in passage money. The Commonwealth Government was to take over all administrative machinery for the selection and transport of immigrants and the states were to settle them on the land. Separate agreements were at first entered into with various states and finally in 1925 a general agreement known as the 34 million pound agreement was signed by the British and Commonwealth Governments. It provided that not more than 34 million pounds loan money, including the sum of 14 million pounds already made available to Victoria, New South Wales, and Western Australia, was to be made available by the Commonwealth to the states for schemes which would open up new settlement areas, or provide for the construction of public works tending to develop or expand settlement areas, or to increase the capacity of already settled areas. The money was to be loaned the states at an interest rate of 1 per cent for the first 5 years and at one-third the effective interest rate for a second five years. Great Britain was to pay 130,000 pounds

for every 750,000 pounds of loan money, and for each such contribution, 10,000 assisted immigrants from the United Kingdom, including 750 families, were to be satisfactorily settled within 10 years. By this means nearly a half million people were to be transferred to Australia.

Meanwhile the states had gone ahead with a large program of developmental work to facilitate settlement—roads, railways, irrigation, resumption of private estates, capital advances and so forth—and this program was extended by the agreement between the states concerned and the Commonwealth Government for the development of the Murray River Basin at an estimated cost of about 15 million pounds (up to 1929 about 7 million pounds had been spent upon it). The state governments borrowed actively at home and overseas; and their debts increased from 519 million pounds in 1922 to 723 million pounds in 1928 or from 93 pounds per capita to 115 pounds per capita, and reached an annual maximum of 56 million pounds in 1927-1928. It was a period of rapid expansion in primary and secondary industries, the most spectacular single development being in the new wheat fields of Western Australia. Imports increased to 165 million pounds sterling over an average for 1921-27 of 141 million pounds. Immigration, which averaged about 38,000 per annum during the period 1921-27, reached a maximum of nearly 49,000 in the latter year.

That was the turning point. In 1928 the rate of increase in population declined from slightly over 20 per 1,000 during the period 1921-27, to 16 per 1,000, and in 1929 to 12 per 1,000. In the latter year net immigration totalled less than 9,000.

The fact is, creditors were becoming uneasy as to the general economic position in Australia. Much of the money borrowed for public works was believed to have been wastefully expended. But even more serious was the question as to whether the new areas opened up for intensive cultivation would be profitable owing to the increasing difficulty in marketing specialised products overseas. This question as to the future of intensive agriculture in Australia was brought prominently before the public by the reports of the Development and Migration Commission, a body set up in 1926 by the federal government under the chairmanship of Mr. H. Gepp, a successful business man, to formulate plans for the most effective and rapid methods of utilising the resources of

the country and to investigate the economic soundness of schemes proposed by the states under the 34 million pound agreement. An example of the Commission's work is to be found in its report on the dried fruit industry which it was hoped would become of increasing importance as the Murray River scheme developed. The Commission made proposals for placing the existing industry on a sound basis and then recommended strongly that there be no further plantings of vines in view of the international market situation. Referring to the Murray River scheme the Commission reported "those areas . . . becoming available would seem to offer great opportunities for further development and absorption of people but this cannot be soundly undertaken until a national policy is determined and this involves a consideration of production and markets."

But the uneasiness of creditors was due perhaps in a larger measure to a doubt as to the future trend of wool and wheat prices. Despite the rapid development of secondary industries in recent years, pastoral products still constitute by far the most important group of exports. Of a total average export value of 142 million pounds sterling in the years 1926-1928, wool alone contributed 63 million pounds, *i.e.*, nearly half the total export trade. Wheat (including wheat for flour) was valued at 24 million pounds sterling. Fortunately for Australia the relation between import and export prices has been specially favourable to exports since the war; according to one authority, during the seven years ending 1928, wool prices increased on the average more than twice as much as retail prices, and wheat prices also increased. This, of course, lessened the burden of the oversea interest payments which now total about 28 million pounds per annum. If prices of wool and wheat were to fall, would Australia be able to meet this interest charge? People began to talk about the situation existing before the financial crash in the early nineties. As a result, early in 1929, government borrowing overseas ceased, except for temporary loans to postpone the actual payment of interest. This sudden falling off in income would have been bad enough in itself. It was the worst of luck that the gloomy prophecies as to wool and wheat prices should have come true almost immediately afterwards. The Commonwealth Statistician has estimated that in 1929-30 income from sales abroad of wheat and wool fell from

an average of about 87 million pounds sterling in the last few years to 55 million pounds. The result is the present financial depression with widespread unemployment estimated at the high figure of 15 or 16 per cent of the working population.

However, I shall not conclude on a note of gloom. Though it is realised in Australia that a good credit standing is important, it is considered to be of greater importance to have a good cricket standing, and Australians are not depressed about that.

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THE PROCESS OF SOCIALIZATION OF AGRICULTURE IN THE U.S.S.R.

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AGRICULTURE—at least one of its basic branches, grain culture—is at present undergoing a technical revolution, the main feature of which consists in the replacement of live draft power (horses and oxen), by mechanical power (the tractor, automobile, and truck). The change in agriculture from the horse to the tractor is somewhat analogous to that which took place in industry over a century ago when man-power was replaced by the steam engine. Of course, the analogy is not absolute, since, in the first place, the tractor has not been as universally adopted as the steam engine, and, in the second place—and this is even more important—the change in agriculture to the tractor is less striking than the transition to the steam engine in industry, for the following reasons: (1) in agriculture the change is not from man to machine, but from a considerably higher power unit, the horse and ox; (2) the tractor is quite limited as compared with the steam engine in its possibilities of concentrating motive power. It is for this reason that in agriculture the replacement of the tractor by electric power will proceed at a much quicker pace than was the case in industry with steam motive power.

For agriculture, however, the invasion of the tractor constitutes the greatest technical advance which it has ever experienced. The new motive power has already resulted in the manufacture of tractor attachments and of powerful machines adapted to mechanical draft by tractors, of which the combine is at present the highest achievement.

The tractor and its offspring, the combine, are beginning, under our very eyes, to revolutionize agriculture, one of the most backward realms in the economic activity of man, which has preserved in its technical organization, up to recent times, very much that is in common with the agriculture of gray antiquity, and which has permitted the existence of small individual holdings at the cost, naturally, of the most atrocious and ever-growing waste of labor power of the small peasants and at the cost of the undernourishment and the lowering of the standard of living of these petty proprietors. Just as in industry it was not original "manu-