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Forum

Corruption! At Flemington Markets? A Case Study in Public Policy

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A case study of attempts by producers to obtain market reform is presented. Important background to the case is producers traditional mistrust of middlemen and the alleged failure of government regulations to protect the interests of producers. The New South Wales Farmers Association have attacked the Markets as corrupt and riddled with fraudulent malpractice. The paper analyses the events and processes which followed these allegations. An attempt is made to obtain a better theoretical understanding of the nature of competition in the Markets. The role of the bureaucracy in perpetuating the situation through narrow adherence to simplistic economics is examined.

1. Introduction

This paper is concerned with allegations of corruption at Flemington Markets (the Markets). Flemington Markets are the central wholesale market in Sydney for fresh fruit and vegetables (farm produce). In New South Wales (NSW), the *Farm Produce Act 1983* is a major instrument of government intervention in the wholesale marketing of farm produce. The regulatory functions of the Act and the key offences it creates are described later. The official justification for the Act is that it is essential protection for producers against what might, diplomatically, be called 'commercial misconduct' by wholesalers (see, for example Hallam 1983, p. 4533). However, importantly, such 'commercial misconduct' whether seen as unscrupulous, dishonest or unethical dealing, is widely attributed to a minority element of untrustworthy wholesalers and not as a reflection of fundamental systemic flaws (Hallam 1983; Wells 1983; Australian Broadcasting Commission 1987; Armstrong 1988a).

The need for farm produce legislation has been evaluated in terms of the criteria for market failure. The studies by Tunstall (1987) and the Industries Assistance Commission (IAC) (1988) exemplify this approach. The IAC examined three possible sources of market failure, namely inadequate mar-

ket information, the potential for collusion between wholesalers and the need to protect producers against the risk of payment default and fraud by wholesalers. Sequentially, the IAC dismissed each of the market failure arguments, and concluded that the justification for direct involvement by government was not strong. Indeed the Commission found that intervention could cause economic harm by impeding competition and efficiency (IAC 1988).

The New South Wales Farmers Association (NSWFA) (1987) has claimed that the Act is not effective, but they want the Act retained. The NSWFA do not see the regulatory problem as one dealing with occasional instances of malpractice by wholesalers. Rather, they see the problem as the 'corruption' of the whole market (NSWFA 1987). Conventional economic analysis does not cope well with such an accusation because it questions the very norms on which competitive theory is based.

The NSWFA used the term 'corruption' to describe various illegal, dishonest, misleading, deceptive and unfair business practices. These types of 'corruption' have been variously described as 'wholesaler malpractice', 'rip-offs', 'fraud', 'rorts' etc. Mostly NSWFA (1987) refers to trading malpractice which broadly can be defined as systematic breaches of the *Farm Produce Act 1983*. However, in some instances where misleading and deceptive conduct has been alleged, the offence is more properly regarded as an offence against the

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Fair Trading Act, in which case civil rather than criminal redress is in order (Healy and Terry 1991).

Corruption is a term not normally applied to market transactions. However, it is more commonly being used to denote the perversion of the market as an institution, as for example, the 'corruption' of international grain markets by United States and European Community subsidies. Its use in this paper is mainly to describe opportunistic behaviour by economic agents, which may produce externalities in the form of degraded reputations of honest traders and the Markets as a whole. Its use in this way can embrace what Scott (1972, p. 89) calls market corruption '... an impersonal process in which influence is accorded those who can 'pay' the most, regardless of the who they are.' In a market context this 'payment' is not so much a direct bribe but rather becomes a transactions cost, subsumed in the marketing margin.

As later discussed, a number of important questions are raised by the contradiction between the conclusions of economic analysis and the allegations of 'market corruption' made by the NSWFA. Can market corruption exist in a competitive market? Is the observed 'malpractice' isolated and chiefly the result of ignorance (or similar market inefficiencies)? Is it the result of a fundamental imbalance of power, reflected in the domination and pervasive exploitation of producers by wholesalers? The possible questions and issues are numerous and complex; perhaps the underlying reason for NSWFA calling for a Royal Commission. Indeed many of the relevant questions are beyond the immediate scope of this paper.

This paper reports an exploratory study of the public policy reaction to the allegations of market corruption made by the NSWFA in 1987. Section two of the paper provides background to the economic institutions involved and describes briefly the policy setting of the case study. The following section describes the circumstances, main events and actions taken during the case study period (1987-1991). The analytical section of the paper deals with two aspects of the corruption issue; the economic and social relationships between competition and corruption, and the role of bureaucracy and professional economic expertise in interpret-

ing the policy issues. The paper concludes with some thoughts on how the events described in the case study might be better analysed.

2. The NSW Farm Produce Act 1983 and Flemington Markets

The *Farm Produce Act 1983* provides for the occupational licensing of wholesalers. It establishes conditions under which farm produce may be traded at the wholesale level and creates a number of offences for failing to comply with its provisions. It covers wholesale trade at the Markets and throughout NSW. It does not cover transactions which take place directly between producers and retailers. The most severe, but least used sanction under the Act is the cancellation of a wholesaler's licence. A summary of the Act in the context of the operation of the Markets can be obtained from Sydney Markets Authority (SMA) (1987) and Moody (1991).

The administration of the Act and some of its provisions, as later discussed, have been central issues in the debate over 'corruption' in the Markets. The NSWFA has maintained that the Act cannot be effectively implemented because (given market corruption) it is not adequately resourced. The resources provided seem barely able to cope with 'occasional' instances of malpractice.

The operation of the Act is the responsibility of NSW Agriculture. NSW Agriculture also operates independently the Flemington Markets Reporting Service (FMRS). The FMRS collects data on prices and market conditions and disseminates this information to producers via the media. Finally, NSW Agriculture is an important source of policy advice to the Minister.

At the Markets about 400 (the number fluctuates seasonally) local fruit and vegetable growers sell their products on their own behalf as grower-sellers. But much produce from NSW, interstate and overseas, is sold using the services of the 150 commercial sellers (wholesalers) based at the Markets. In this paper the term 'producer' is used for growers who sell through wholesalers. Grower-sellers form a distinctive pressure group: the NSW Free Growers Horticultural Council (the Free Grow-

ers).

Traditionally wholesaling of fruit and vegetables was a cash business. However, wholesalers have increasingly sold to buyers on credit terms, with consequent reductions in the liquidity of wholesale businesses. In this paper the terms 'buyers' and 'retailers' are used interchangeably. However, there are a wide range of resellers of fruit and vegetables with varying degrees of power in the marketing channels. The growth of sales through supermarkets is an important consideration. The Act has not been amended to reflect these trends; it still requires wholesalers to pay producers by the Friday of the week following the day of sale, whether or not the wholesaler had been paid for the produce. The cost burden, to wholesalers, of this regulation has been exacerbated by the high interest rates which prevailed through the 1980s. In recent times failure to pay by the required time (Section 22 (2)) has been one of the main offences prosecuted under the Act (for further details see Armstrong 1988c).

Sales between wholesalers and buyers are negotiated on a private treaty basis. Under this system the agreed prices are not public knowledge, as would be the case if sales were conducted by auction. The FMRS helps to compensate for the deficiency by making market information publicly available. The information state of the Markets is a key issue in the debate concerning the extent of desirable government intervention in the functioning of the Markets. In particular there is a question of whether the provision of comprehensive information, including objective data on quantities derived from compulsorily completed manifests, would produce more equitable outcomes for producers.

3. The Corruption Incident and Its Aftermath

In August 1987 ABC Television screened a *Countrywide* program which included a segment entitled 'A Case of Rotten Apples'. It was a journalistic exposé of alleged fraudulent conduct by wholesalers selling as agents. It also included some blunt remarks about the Flemington Markets cash economy and the potential for income-tax evasion. This program served as an explosive

catalyst to a dispute which had been smouldering for a number of years. Complaints had been made by the NSWFA against wholesalers. But, working through official channels they had met with little success. A short history of events leading up to the *Countrywide* program helps to place the case study in context.

The *Farm Produce Act 1983* replaced the *Farm Produce Agents Act 1926* following an extensive period of enquiry and review, and was the subject of a further view after 12 months of operation. An amending Act was passed in 1985. However, despite a history of over 60 years of legislative intent and considerable recent refinement, complaints by producers over the actions of wholesalers are little different today from those which originally gave rise to government intervention. Chief amongst these are complaints of alleged under payment, implying deceitful trading practices, excessive commission rates (the maximum allowed for agency sales is ten per cent), and deliberately delayed payments; in various ways all offences under the Act.

Following the 1985 review the NSWFA continued to express its dissatisfaction with the performance of the Markets and the seeming powerlessness of the government to enforce its legislation. After two years it became clear that conventional lobbying activities, such as making submissions to the Minister and raising questions in Parliament, were meeting with little success. The NSWFA was convinced that they had a legitimate cause to pursue. More aggressive tactics were called for. Publicity in the media is a common tactic to attract public and political attention. In this context, the screening of the *Countrywide* program, made with full cooperation of the NSWFA, can be seen as one element of a wider struggle being waged by them.

The *Countrywide* program had a particularly hostile reception from the wholesalers and their representative organization, the NSW Chamber of Fruit and Vegetable Industries (the Chamber), who claimed that sweeping general assertions were made based on flimsy or no evidence. The Chamber's view was supported by NSW Agriculture, and subsequently by the Minister (Hallam) in Parliament. Their reactions followed a consistent pat-

tern; an admission that there could be isolated instances of malpractice, a call for producers to come forward with complaints, supported by evidence, and promises of investigations and prosecutions. But there was never any admission that the problems identified by the NSWFA were any more serious than routine complaints about the business practices of a few wholesalers.

In September 1987 'conciliatory' meetings were held between the parties. The outcome was that the NSWFA was offered, by the SMA and the Chamber jointly, the option to purchase the leasehold of a selling module at Flemington Markets: a place from which a wholesale business can be conducted. The offer was rejected by the NSWFA the next day. At a high level, NSW politicians and senior bureaucrats were concerned about the accusations being made by the NSWFA. It appears from press reports and answers to parliamentary questions, that formal investigations were launched by the NSW Fraud Squad, the National Crime Authority and the Taxation Office. The vigilance of NSW Agriculture was stepped up. The findings of these investigators are either confidential or have been fruitless due to non-cooperation by all parties; a conspiracy of silence reigned.

On 23 October the NSWFA launched its 'Call for a Royal Commission' document (NSWFA 1987) to an audience of mostly opposition parliamentarians and the media. The Government had consistently rejected the need for an extensive inquiry and the call for a Royal Commission was similarly rejected. The Liberal-National Party opposition meanwhile promised an inquiry but stopped short of supporting a Royal Commission.

4. Problem Redefinition in Terms of the Need for Efficiency

By late November 1987 both the Government and the NSWFA were looking for ways of managing what had rapidly become a sensitive and divisive issue. It appears that the computerization and compulsory manifest (quantity information) option was promoted at this time initially by bureaucrats within NSW Agriculture. The promotion of this option accords with an hypothesis that observed 'corruption' is merely a sign of an ineffi-

cient market which can be rectified by providing better and more timely information, thereby enabling producers to make better marketing decisions based on a more accurate assessment of the market.

In the heady atmosphere of the March 1988 State election campaign the NSWFA released a survey of fruit prices which highlighted mark-ups as high as 250 per cent. The release of this information, attracted a good deal of media attention, but met with little success otherwise. It certainly did not achieve its aim of trying to convince politicians of the need for an inquiry into the 'whole marketing system'.

The election resulted in a change of government. Shortly after coming to office the new Minister (Armstrong), was able to announce an industry meeting, with many groups including NSW Agriculture represented, to discuss computerization and compulsory manifests (SMA 1988). Prior to the meeting the NSWFA produced a second major document concerned with 'Future Directions for Wholesale Marketing', in which there politely was no mention of 'corruption' or 'malpractice' and which strongly supported an 'efficient markets solution' to the problem (NSWFA 1988). This was a solution also favoured by NSW Agriculture, and represented a stunning turnaround in strategy by the NSWFA. The confrontationalist tactics pursued previously had succeeded in focussing political attention on the issue, but had not won the NSWFA many friends in the industry or bureaucracy.

Since that meeting, at which there reportedly was widespread agreement, there has been a remarkably orderly and bureaucratic process of committees and meetings organized by NSW Agriculture, which stands in stark contrast to the tumult of the previous period. This outcome may have happened whether or not a change in government had occurred. Nevertheless, it was the new Minister who was able to announce that a 'Flemington Market reform package' had been welcomed by all groups involved. On the computerization issue, it was subsequently announced that a 'Computerization Working Party' would be formed to be chaired by a senior officer of NSW Agriculture. This would be an anti-climatic, yet thoroughly bureaucratic, con-

clusion to the events included in this study. But there have been some interesting developments, flowing from the 'reform package', which bear relating.

5. The Agenda of Progressive Reform

The Working Party commissioned an 'Evaluation Report' on the computerization of the markets (Australian Strategic Planning (ASP) 1989). Although chiefly concerned with computerization, a number of related matters were canvassed, including the role of information generally, credit control, the accountability of agents to producers, manifest data and some critical comments on the *Farm Produce Act*. It is useful to examine these developments and the subsequent Government reactions to them. First the issue of manifests.

ASP (1989) recommended that the manifest form be redesigned to incorporate 'universal product grade standards' and be made mandatory for entry to the Markets. The SMA had been planning to introduce a compulsory manifest for some time; a voluntary system of dubious worth was in place. Armstrong (1988b) had declared his intention to introduce compulsory manifests, with effusive claims of their perceived benefits. It was almost as if manifest information, like magic, would correct all of the industry's ills with one simple incantation. The SMA did not introduce compulsory manifests until 4 September 1989. They were met with a storm of protest led by the 'Free Growers', who were concerned that the information gained would be used as the basis for a levy, and there was speculation that the information might find its way to the Tax Commissioner (Macey 1989). Compulsory manifests have been accepted reluctantly. Whether they are producing accurate and meaningful information is another question. However, the SMA (1991) expressed the view that the data collected are 'valid'.

The second issue is that of the market reporting service itself. Computers are ideally suited to the tasks of storing and processing vast quantities of data. In the Flemington Markets, NSW Agriculture operated a manual system of recording price movements which was susceptible to subjectivity on the part of reporters. ASP (1989) canvassed some of

these issues as well as the possibility of privatising the information service. However, it was decided to 'review' the FMRS. The NSWFA supported this action, reportedly saying '... growers could not rely on accuracy now provided by FMRS' (*The Land* 1990, p. 2). Armstrong (1990) said that the FMRS 'will be changed to produce more accurate and useful information' because

'Accurate and informative FRMS reports are essential to ensure fair and competitive trading at Flemington and to reduce the scope for any misunderstanding and friction between the various groups which rely on Flemington.'

The upgraded system was implemented in mid-1990.

The third issue which warrants comment is credit control. Voluntary credit cooperatives have been tried at Melbourne and Sydney Markets in recent times and have failed. The idea involves wholesalers joining a cooperative which acts as a clearing-house for billing and receipting the credit sales made by wholesaler members, somewhat like a 'credit card' system. The agency also acts as a credit monitoring bureau by recording the aggregate outstanding debts of retailers, and may collect bad debts. The reason similar schemes have failed in the past have been lack of support from wholesalers, and members being selective as to the accounts they would let the agency handle, by retaining the better-paying clients (Tunstall 1984).

The notion of having a central accounts processing facility was extremely attractive to the NSWFA. It was seen as a means of making wholesalers accountable to growers and a panacea for the problems of the Markets (NSWFA 1988); it promised true and accurate information. Armstrong decided to hold a secret ballot of wholesalers to test support for a compulsory credit control scheme, it was rejected 88 votes to four (Stevens 1989). The NSWFA reportedly described the result as 'bloody ridiculous' and threatened 'to campaign for the introduction of radical changes to wholesalers' selling rights' (Stevens 1989). However, a proposal for a voluntary credit cooperative has slowly emerged. Dick (1991) reports that 73 out of 140 wholesalers at Flemington have agreed to participate in a credit monitoring arrangement. *Good*

Fruit and Vegetables (1981) describes how the Act will be used coercively to provide incentives for wholesalers to join the credit arrangement.

The review of the *Farm Produce Act 1983* is the final 'reform' to flow from the events discussed in this case study. ASP (1989) canvassed the option of scrapping the Act. However, while the ASP received mixed opinions on the desirability of such a move, they did not recommend it. Instead they favoured the use of the Act as a legislative vehicle to implement their recommendations. They also thought that over time, the benefits of computerization, better market information and credit control, would gradually see the Act become redundant. The review group was to report by April 1992.

But it would be wrong to give the impression that there is now complete harmony in the industry. As recently as 27 February 1992 Cruickshank (National Party - Murrumbidgee) expressed the following view:

'I assure honourable members that there is nothing in the credit co-operative for growers (producers). It will make the grower's position even more fragile and less secure than the system they have had to date. Without the growers Flemington markets are nothing. Growers - the producers - are being disadvantaged more than anyone. They are being left out in the cold to be cheated and starved. They are being ripped off and robbed by the closed shop, the markets themselves and by abominable collusion, by non-feasance as much as malfeasance, between the Sydney Market Authority, the Chamber of Fruit and Vegetable Industries, and its charade, the Credit Co-op, the CIC, and the Department of Agriculture' (Cruickshank 1992, p. 237).

6. Ideological Perspectives of Market Conflicts

The capitalist system does not behave as a neat harmonious system; it is based on competition and competition involves conflict. The market place can be seen as an arena where producers, wholesalers and retailers struggle for a share of the consumer dollar. Kohls and Uhl (1985) suggest that simple statistics such as the farmers share of the consumers dollar do not merit the attention that they receive. But the trading practices of wholesalers are re-

garded by producers with suspicion. One of these suspicions is that wholesalers take higher profits than is legal or reasonable (Cole 1980; Christie 1988).

The discordant relationship between producers and wholesalers can be characterized in economic and social (quasi-Marxist) terms, although juxtaposition of the analyses is somewhat more difficult. In quasi-Marxist terms producers are open to exploitation because they do not control the sale or distribution of their product. Wholesalers control the means of production within the market, producers as a rule do not. Wholesalers are able to extract surplus value, 'quasi-rent', by exploiting their advantageous location within the marketing system and by manipulating the flow of information. An outcome of quasi-Marxist analysis is that exploitation of producers, expropriated from the means of producing marketing services, is inherent to the system. It is interesting that somewhat similar propositions, such as behavioural opportunism (self-interest seeking with guile) can be found in the theoretical argument of the so-called 'new institutional economics' reflected in the work of Williamson (1985) and Rubin (1990), *inter alia*.

In contrast to the Marxist view, the New Right considers that in open competition between capitalists such 'exploitation' is a legitimate business activity and quite ethical. To buy as cheaply as possible, to sell as dear as possible is not, by their standards, corrupt. Sawyer (1987, p. 27) claimed that a basic proposition of the New Right is that, 'exploitation does not derive from the exercise of economic power but from the exercise of political power to redistribute social and economic resources'. The underlying belief to this proposition is that individuals are not exploited if they enter willingly into free market contracts. Though, the extent of freedom may be disputed when producers feel coerced into accepting the terms that wholesalers deign to offer. The ideology of the New Right includes the belief that corruption exists because the market is regulated and not that regulation exists because the market is corrupt.

7. The Analytical Misuse of Simplistic Competitive Models

Competitive theory suggest that firms tend to conform with patterns set by the most efficient firms. But what are the consequences for analysis if deception and fraud are the most efficient paths to profit maximization? Rigid adherence to neo-classical economics could lead to an incorrect analysis of the problem. Hence the emerging interest in the economic sociology of markets and the new institutional economics. Does ideal competition exist at Flemington Market? On some criteria such as high numbers and apparent independence of buyers and sellers it does. But on other, more crucial criteria, such as those espoused by Sosnick (1968), it does not. One incident, namely the offer of a selling module to the NSWFA, provides a useful illustration of the contradictions that can arise from pursuing simplistic notions of the desirability of competition.

On appearance the offer by the Chamber and SMA of a selling module to NSWFA provided an easy entry for producers into wholesaling. Perhaps, in Baumol's terms, it was an attempt to demonstrate the contestability of the Markets (Baumol 1982). The stated reasons for making the offer (to provide growers with the opportunity to become more involved in the selling of their produce); and for refusing it ('How will one extra stand, in the already suspect and antiquated markets, help gain a better deal for growers or consumers?' (NSWFA 1987)) probably do not express adequately the underlying motivations and fears. A better understanding of the offer may be derived by commencing with the knowledge that it is in the wholesalers interests to maintain the economic subjugation of producers.

Akerlof (1970) argues that dishonest dealings can drive honest dealings out of the market. Dishonest dealings may be promoted because they cannot be readily distinguished from honest dealings. Such a situation may arise because of information asymmetry and market failure due to moral hazard. Dishonest dealings can become institutionalised as the corruptly earned profits become capitalised in the selling price of wholesale modules. The purchaser must maintain the corrupt level of profit in

order to service the capital debt of the business. In this way competitive pressure can perpetuate market corruption. An honest business established by the NSWFA would not have been able to meet its financial obligations!

Proponents of efficient (i.e. competitive markets) have argued that competitive pressures eliminate corruption. Excessive profits cannot be sustained in a competitive system. This was the adopted position of NSW Agriculture in reacting to the *Countrywide* allegations. This argument rests on a fundamental belief in economic rationality. For example, if producers were willing to accept \$4 for an item which wholesalers sold at \$8, buyers would rather purchase directly from producers. Wholesalers in turn would be forced to lower their selling price (to retain customers) and raise the price paid to producers (to obtain supply). Excessive profits are thereby competed away. Corruption therefore can exist only as isolated instances. However this argument fails to acknowledge the 'monopoly' power given to wholesalers by virtue of their location within the central market, the information they possess, the extent to which they are able to control the flow of information, and the substantial transactions costs involved in suggested alternatives such as selling direct to retailers. In an industry known for its fragmentation, the risks associated with long distance trade in perishable produce, which notoriously is difficult to describe objectively, and where uniform grades or standards are virtually absent, the market position of the fruit and vegetable wholesaler does not conform readily to the competitive ideal.

Two remedies to the complaints made by the NSWFA that were suggested by NSW Agriculture are of interest. First, if producers are unhappy with their existing wholesaler they can transfer their custom to another wholesaler. Second, if they are unhappy with the Markets, they can by-pass the Markets and deal directly with retailers. These remedies are based on the conventional economic theory of the likely impact of competition on market conduct and performance. The first is of little use if indeed all wholesalers, through competitive pressures, behave identically or, if there are significant non-economic bonds between producer and wholesaler. They are not much use to small produc-

ers and small retailers who depend on the vitality of a strong central market facility to meet their various needs as sellers and buyers.

Further, following Parkin (1985), if market corruption is an 'over-riding systemic and structural constraint', conformity to its logic, namely profit maximization by subjugation of producers, is essential for business survival. Based on this view all wholesalers must indulge equally in corrupt practices to survive. Corrupt practices are pervasive, they are objectives of the system, and not isolated instances.

Competition, and the conflict it engenders, are concomitants of market capitalism. Advocates of the 'free market' might claim that producers who have been 'ripped-off' by this system are simply naive. The capitalist state cannot be expected to always protect those few from the trials and deprivations of a rigorous commercial environment. There is an analogy here to the biological principle of the survival of the fittest. Leftists and agricultural fundamentalists on the other hand would argue that the state does have a role to play in protecting the vulnerable small producer. In fact, whilst the state has assumed the veneer of this protective role, it appears that a combination of bureaucratic and professional economic expertise has acted to limit the role of the state to that of provider of information of dubious worth. This proposition is argued further in the next section.

8. Agricultural Economics, Group Interests and Policy Analysis

In this part of the analysis the efficiency and equity themes, raised in the previous section in the context of conflict and competition, are continued but placed in the context of group, bureaucratic and political interests.

Weber's (1968) analysis of bureaucracy suggests that bureaucrats tend to adhere to formal rationality (i.e. to be concerned with the means) to the exclusion of substantive rationality (concern with the ends). Hence efficiency considerations receive prominence over equity considerations. Australian agricultural economists, a group which includes policy advisers and administrators in NSW Agri-

culture, have been criticized for their narrow adherence to liberal economic orthodoxy (Stent 1976; Lawrence 1987 *inter alia*). Their methodology emphasises the rationality of the market and ignores equity which is taken to be a 'political' consideration. Alston (1988) provides an interesting account of the ideology of agricultural economists wherein he draws comparisons with religious zealots. Lloyd (1982) suggests that Australian agricultural economists are more *laissez-faire* on price policy than their overseas counterparts.

Some Australian agricultural economists have recognised that policy advice calls for a broader field of reference (Richardson 1986; Standen 1983 *inter alia*). However, given their ideological and bureaucratic character it is not surprising that agricultural economists actively pursued the efficient markets solution to the problem of inequitable outcomes for producers. NSW Agriculture is on record warning producers that they should not see computerization as, 'a panacea for all the alleged problems at the markets', possibly an illusion to the continuing need for the bureaucracy to stamp out occasional instances of corruption (SMA 1987).

There is an interesting contradiction between purely bureaucratic interests and the ideology of the free market. The IAC (1985) advocated deregulation of farm produce legislation. On efficiency grounds they found no sustainable argument for intervention. Faced with such a compelling ideological argument to deregulate, bureaucrats, whose interests lie in maintaining the system, can only defend it by resorting to equity arguments and the provision of information as a public good.

Computerization of Flemington Market was promoted as the rational means of obtaining an efficient market; seen as a desirable end in itself. The underlying economic theory is typically neo-classical, relying on individuals within the system being singularly motivated by the pursuit of economic rationality. However, as noted above, the applicability of this theory is questionable. For example, the provision of market information by government may be tolerated by wholesalers, but it is likely that it will also be manipulated by them, where possible, to suit their purposes since they are unlikely to yield this component of their market

power willingly. All parties (producer, wholesalers, retailers) could fear better information because it may enable investigation of income-tax fraud. At this level the natural conflicts between producers and wholesalers tend to be suppressed for the sake of their mutual interest. This suppression of conflict operates to the advantage of the wholesalers who find allies especially among grower-sellers. The Free Growers were opposed strongly to computerization and compulsory disclosure of quantity data. It is argued therefore that market corruption, broadly defined, can lead to the primacy of defensive self-interest over the social desirability of policies to deal with it. That is, individual self-interest sees that it is more desirable to have an inefficient corrupt market, rather than an efficient honest one.

9. Conclusion

During the period covered by this study there has been struggle and conflict between interest groups, the bureaucracy and politicians, with the interests and ideologies of each influencing the terms of the struggle. Equity issues prominent early eventually were submerged by efficiency issues, an outcome considered favourable to bureaucrats. The position of the bureaucrats may not be enviable, but it is of their own making. The Act, a regulatory instrument designed by bureaucrats, is resourced and enforced by bureaucrats at a level which is predicated on only occasional instances of corruption. Further, to attempt to adequately police the Act might uncover widespread market corruption and therefore give credibility to the case made by the NSWFA.

The NSWFA has struggled to obtain a fair and honest marketing system for fruit and vegetable producers. But the struggle has been waged at an organizational and bureaucratic level. At this level their struggle has been foiled, the initiative has been seized by bureaucrats and politicians who are not in control of the agenda. Neither bureaucrats nor politicians want to see Flemington Markets degraded by the stink of market corruption. For the bureaucrats and the former (Australian Labor Party) government such an outcome would seriously question their past performance and the efficacy of their management. For politicians of the Right the market is a respected, even worshipped, institution

which forms the keystone of Rightist policies. The degradation of the market brings into question the ideological foundation of these policies.

For producers and wholesalers the market is a source and distributor of income. The market place is an 'arena of struggle' (Hindess 1982) where the wholesaler has the upper-hand. The long-term interests of producers selling through Flemington Market may not be best served by playing along with bureaucratic interests. But in order to achieve market supremacy over wholesalers, producers perceive that they need the 'coercive power of the State' (Stigler 1975) and hence the co-operation of NSW Agriculture. They also need strength through unity, currently impossible while producers and grower-sellers are divided on substantive issues of market reform. Historically disunity amongst farmers has been seen as a political liability (Campbell 1966).

Inevitably producers remain in a position open to exploitation while they are dependent on the goodwill of wholesalers for their economic welfare. They must obtain control over the marketing process, necessitating radical rather than reformist policies. Computerization of the type envisaged by NSWFA offers a technocratic solution to what is essentially a socio-economic problem. Managed by the bureaucracy, whose interests lie in preserving the status quo, better information is likely to be no more than mildly reformist, as it will favour the larger producer who can flexibly pursue market opportunities as they arise. Further, computerization is unlikely to change the fundamental relationship between producer and wholesaler; the social forces within the marketing system will act to maintain the status quo. Let Cruickshank (1992, p. 238) have the last word:

'I am demanding, not just suggesting, that serious reforms have to be made to the Flemington Markets and the SMA. I do not want excuses that there are new reviews and that everything is under review; the time for that is over. Any government that can stand a little corruption can stand a lot of corruption. There is corruption in a multitude of forms in the markets.'

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