* BIG PROBLEMS FACI[illegible]

SMALL SOCIETIES

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People working in agricultural economics do so for a variety of reasons. I expect, however, that they would all agree that the advancement of knowledge is a key objective of the discipline. There would probably be agreement also that additions to knowledge are not valued mainly for their own sake, but because they allow better decisions by householders, firms and governments.

It is my intention to reflect upon some past and potential contributions of economists to increasing the return from resources by improving knowledge and policy making. In doing this I will pay most attention to two broad subject areas. One is domestic: overall agricultural policy in countries with efficient farming sectors, such as New Zealand and Australia. The other is global: agricultural protectionism and the greenhouse effect. The rationale for considering these two global problems together is that they represent an actual and a potential adverse impact on Australia and New Zealand as a result of what happens in the large industrial countries. In addition, I will make a not unrelated digression on charging for tertiary education, a digression made attractive to me because I recently collected data on attitudes of agricultural science students to Australia's new impost on students. Finally, because I do not expect to have such a good opportunity again, I allow myself the indulgence of offering some thoughts on the approach to choosing presidents of the Society.

As a preliminary matter, I refer to Milton Friedman's distinguishing three ways in which economists can affect the course of policy decisions. 'The oldest, the way that we have practiced the most, is simply to try to inform the public, to give

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the public a better idea of what is in the public's own interest' (Friedman 1986, p.4). The most obvious instance of this, said Friedman, was economists' promotion of the gains from free trade. However, despite the near-unanimity of economists on the benefits from free trade, many tariffs and non-tariff barriers to trade exist. The widely accepted explanation of this state of affairs is that small groups of domestic producers have a strong incentive to cooperate in seeking political support for restrictions on free trade, while the much more numerous group standing to benefit from opposing the restriction lack the incentive to voice their opposition, and even to inform themselves of what is happening. Friedman concludes that '... we must educate the public about tariffs in general, about the virtues of free trade as a general policy, and not dissipate our energies by attacking each tariff separately; obviously we have not been tackling it the right way' (pp.4-5).

Friedman's second way in which economists can influence policy '... is by analysing the changes in institutional arrangements that would bring about the desired results and trying to persuade the public to introduce those institutional changes rather than trying to influence policy makers directly' (p.5.). Some examples of institutional changes, including changes in higher level or constitutional rules, which could have favourable effects on the incentives facing firms, households and governments are mentioned later.

The third and possibly the most effective way in which economists can influence public policy says Friedman is by developing and talking about policy alternatives so that options are available when policymakers are forced by a crisis to abandon a policy that has failed. I am not sure that this is independent of the other two ways, but in Friedman's view it was the availability of the floating exchange rates option at a time of crisis rather than any success by economists in persuading decision-makers of their virtues that led to the adoption of floating exchange rates.

DOMESTIC AGRICULTURAL POLICY

If we start at an overall level, we find wide agreement that agricultural policy in Australia and New Zealand is in good shape. Overseas authorities are in agreement with local economists in awarding our two countries high marks for performance on agricultural policy (e.g. World Bank 1986). This favourable assessment reflects the high orientation of agriculture in both countries to world markets, and hence the low rates of protection for agricultural commodities and activities.

Prices for agricultural commodities in Australia have not always been related so closely to world markets as they are now. At the beginning of the 1970s, for example, rates of effective protection for wheat and sugar both exceeded 35 percent. The movement to a closer relationship between world and domestic prices has been recommended by most Australian agricultural economists who, like Friedman, have seen a close connection between domestic and world prices serving the public interest. It is true that legitimate questions have been raised concerning the second-best economic case for retaining some assistance for agricultural, and other, exporting industries while substantial protection is given to domestic manufactures (Gruen 1969, Harris et.al. 1974). While the tariff compensation debate did not destroy this argument completely, it established that the information requirements for the implementation of a welfare-increasing policy of compensating assistance were daunting. It was also noted in the debate that a policy of compensating assistance would have represented an institutional change conducive to rent-seeking activities.

The reduction in price distortions for agricultural commodities is a significant achievement for which public-interest minded academic economists, public service advisers and politicians can all take some credit. Without meaning to belittle the achievement, however, it is fair to say that the remedy for policy-caused sacrifices in social welfare is easier for economists to prescribe than is the remedy for market failure. If economic inefficiency is caused, as much was in earlier times in Australia, by domestic consumer prices being set administratively at a level normally above the world price, with all producers receiving a price equal to the weighted average of sales in the domestic and export markets, the prescription 'remove the schism between domestic and world prices' is obvious.

Furthermore, if we are objective I am not sure that we can infer from the high marks awarded agricultural policy in New Zealand and Australia that agricultural economists have done a better job than their counterparts in Europe or the United States in educating the public on the advantages of avoiding distortions to agricultural prices. Perhaps the better antipodean performance has more to do with historical factors (e.g. the lateness of settlement making for larger farm holdings), economic considerations (e.g. the greater export orientation of agriculture), and political factors than it does with successful education by economists on the virtues of undistorted prices.

I note in passing that neither agricultural nor other economists have attempted to educate the public on the advantage of a departure from free trade in the situation where economic theory and evidence on elasticities of demand suggest most strongly that this would be in Australia's interest - namely, imposing an export tax on wool. Perhaps the Australian tertiary students who oppose the new tuition charge should commission an economist to report on whether efficiency and revenue needs would be better served by a tax on wool exports!

When we move from price distortions created by governments to other sources of concern about agricultural markets, it becomes much harder for economists to play a useful educative role. Consider the issue of instability. A sample survey of members of the American Agricultural Economics Association found that 55 percent considered that reducing instability was the primary justification for government intervention in agriculture (Pope and Hallam 1986). (Market failure was given as the primary justification by 12 percent, and income transfer by 18 percent). Certainly, 'stabilisation' has been an important, though ill-defined, objective of agricultural policy in Australia and New Zealand. In fact, many of the price distortions in Australian agricultural markets were originally rationalised by the reduction in price instability that they conferred - a process referred to by Allan Lloyd as 'stabilisation upwards'. The basis for expecting that government action to reduce instability - in practice if not in principle accompanied by uncertainty - of prices, production or income will increase social welfare is usually weak(Gardner 1987).

Externalities associated with agricultural activities are increasingly being viewed as important. In the Pope/Hallam survey 62 percent of respondents disagreed with the statement 'Generally, externalities associated with agricultural production do not lead to distortions which are of sufficient magnitude to warrant

government intervention.' In Australia most concern has been expressed about externalities involving soil erosion, salinisation, and agricultural chemicals.

Economists are experts on the general answer to policy for dealing with externalities. We all know that the answer is to internalise them. But, in contrast to economic inefficiency caused by government-created price distortions, resource misallocation due to externalities cannot be removed without knowledge from scientists. Moreover, the important agricultural externalities are usually of the non-point variety (many sources of pollution) and, in addition, individual contributions to the physical externality have to be assessed by proxy measures (such as farm inputs and management practices). In practice, the best feasible approach to reducing externalities in the form of erosion and salinisation may vary from region to region, or even from farm to farm, depending on complex interactions between soil/water resources, inputs and management practices. The contributions of scientists will be important in developing policies that better reflect these relationships. That will be true also in the case of policy towards chemical use in agriculture.

It is not only missing information on scientific relationships that hinders the development of policies for dealing with externalities in agriculture. We are becoming increasingly aware of the costs of government intervention, and the quality of the case that our peers expect to be mounted to justify government intervention to deal with externalities is rising. Brennan and Buchanan write:

> 'There is no necessary presumption that simply because market processes are imperfect, political processes will work better. On the contrary, as public choice theory reminds us, there are very good reasons for doubting the capacity of political processes to achieve Pareto optimality. The normatively relevant comparison is between two imperfect institutions' (Brennan and Buchanan, 1985, p.116).

I am in general agreement with this argument. But, in the context of externalities generated in agriculture, a couple of observations may be offered that increase the likelihood that government intervention is warranted.

First, if the widely accepted 'polluter pays' (initially) principle is applied, removing or reducing adverse externalities will often increase government revenue. This allows governments to reduce other forms of taxes that generate deadweight losses. That is, intervention which increases government revenue

while reducing inefficiencies in the area directly concerned avoids one of the costs associated with intervention that requires extra outlays.

The second point can be illustrated with reference to dryland salting. Suppose it is known that removing trees in a certain region causes external diseconomies in the form of land and stream salinisation. Opponents of action to restrict tree removal, and perhaps also economists conscious of the problem of government failure, might argue that knowledge of the size of the externality, in physical and dollar terms, was insufficient to allow efficient government intervention. It is true that more information is conducive to better policymaking. But to argue that production of a bad should carry no penalty because of uncertainty about the size of the appropriate positive price is to infer to a zero price a natural status that it does not deserve.

TWO GLOBAL PROBLEMS

I wish to focus now on two global problems of concern to Australia and New Zealand - and more generally. These are the problems of agricultural protectionism and the greenhouse effect. Although the problems of world agricultural protectionism and the warming of the atmosphere are very different in some respects, it is interesting to think about them together.

World agricultural protectionism is the sum of distortionary agricultural policies followed by individual countries and blocs. I use the term 'protectionism' broadly to incorporate assistance that increases a country's exports as well as policies that reduce imports. Furthermore, the negative protection - that is, taxing - of agriculture in some countries, especially developing ones, is a part of the global problem of agricultural protectionism.

The greenhouse effect refers to the warming of the earth's atmosphere caused by increases in the amount of certain gases present there. 'The warming is due to the fact that these gases are transparent to (incoming) solar radiation, but opaque to (outgoing) terrestrial radiation (the latter occurs at infrared wavelengths), thus effectively trapping radiation' (CSIRO 1987). The most abundant greenhouse gas is carbon dioxide. The most important of the others are methane, nitrous oxide, the chlorofluorocarbons and (lower atmosphere) ozone. By the year 2030 the combined effect of these other gases is likely to equal that of carbon dioxide (United Nations 1986?).

In an economist's summary comparison of the problems of agricultural protectionism and of the global greenhouse, several points stand out.

First, agricultural protectionism is essentially caused by the policies of governments. The problem is one of distorted prices and impediments to free trade. The greenhouse, on the other hand, is a possible result of certain human activities changing the physical environment within which we live. That is, some activities undertaken to meet current consumption and investment demand threaten our environmental capital. There is a clear externality involved here. While the obvious - to economists - answer to agricultural protectionism is for governments to get out of agricultural markets, preventing the greenhouse may require governments to intervene to internalise the externalities involved. Even those who are generally pessimistic about the prospects of government intervention being successful will perhaps allow that avoiding the global warming is,like regulating for airline safety, a special case.

It is interesting to compare the current concern about greenhouse earth with the problem of running out of energy resources about which many have expressed concern. In a sense the greenhouse problem is the opposite of the exhaustion of resources problem: global warming would cease if fossil fuels were used up! It is also of interest that the zero growth society supported by some would not prevent temperatures from rising, though it would help. As is true of probably all global problems, and of sub-global problems, the greenhouse is a resource allocation or pattern of economic activity problem rather than a growth problem.

The second point concerns the state of knowledge of the main consequences of the two problems. This is, I think, reasonably good in the case of agricultural protectionism. Members of our Society have played a leading role internationally in efforts to enhance understanding of the consequences of agricultural protection. The BAE/ABARE reports on agricultural policy in the EEC and Japan (BAE 1985, ABARE 1988), and the study coordinated by the Centre for International Economics (1988) cn farm support policies in several countries are important instances of this work. So is the international modelling of agricultural protection undertaken by Tyers and Anderson (e.g. Anderson and Tyers 1987). These studies provided information on the costs to major overseas countries and blocs of their own agricultural policies, and on the consequences of these policies for other countries through effects on world commodity prices and trade volumes.

While BAE/ABARE has played the role of educator on the costs of agricultural protection in industrial countries to the countries concerned and to efficient agricultural exporting countries, it has not explained the benefits that accrue to third-world food importing countries. Nor do Australian farmers or politicians appear to be aware that United States farm policies have at times, as in the early 1980s, held up world commodity prices, to the benefit of farm and average incomes in Australia and New Zealand. Further, while farmers and political leaders perhaps now have a reasonable appreciation of the reductions in Australian farm incomes caused by positive protection for agriculture in the industrial countries, they show no signs of recognising that negative protection for agriculture is also a significant phenomenon in world agriculture, and that this works to Australia's advantage.

In the case of the greenhouse, knowledge of future changes in temperature is less firm. The effect of a given increase in the main greenhouse gas, carbon dioxide, in the atmosphere is uncertain because of the complexity of the climate system. The possibility of either positive or negative feedback from changes in cloudiness, depending on the height, latitude and season of cloud formation, is one major source of uncertainty (CSIRO 1987). But scientific research in the last two decades has increased our grounds for concern. The United Kingdom Royal Commission on Environmental Pollution (1971) suggested that, on plausible assumptions, the greenhouse effect might cause the earth's atmosphere to warm by about 0.1 to 0.2 degrees Celsius in thirty years. It considered such a rise was not likely to be significant. Recent research puts the mean increase, with the continuation of recent trends, at 1.5 - 4.5 degrees Celsius by 2050 or earlier. Further work will improve knowledge on average global temperature changes and on regional impacts. Research is also proceeding on the implications of changes in temperature, and related changes in climate, for plant growth. As with agricultural protectionism, there are likely to be gainers in agriculture - and elsewhere - as well as losers from global warming. Representatives of some developing countries have said that, on current knowledge, they would likely welcome the climatic change expected to accompany global warming (United Nations 1986?). It is too simplistic to express the effects in such wholly negative terms as massive relocation of population, agriculture and industry.

A summary of likely broad physical changes in Australia by 2030 due to the greenhouse effect is shown in Table 1. That assessment was made by the Division of Atmospheric Research of CSIRO. Increases in temperatures are expected to be greater in southern Australia than in the north. It is considered probable that

winter and minimum overnight temperatures will increase more than summer and daily maximum temperatures.

Economists have an important role to play in examining the pluses and minuses of different ways of reducing the global warming. This will include evaluation of the trade-off between short-run material standards of living and reductions in the rate of global warming. Until there is better information on regional consequences of global warming, I doubt whether agricultural economists can contribute much to the study of the greenhouse phenomenon.

Third, what are the prospects that knowledge will be sufficient to stimulate global action to deal with the problems? The answer in the case of agricultural protectionism is clear: zilch! Agricultural protectionism has persisted, and in many cases worsened, despite an increasing body of evidence that this is against the 'public interest'. In the case of the greenhouse effect the answer is, in my view, unclear. The fact that there will be gainers as well as losers from global warming, and the fact that the changes occur relatively gradually - even if they are rapid by historical standards - will make for difficulties in reaching agreement at the national and international levels on the need to reduce the warming. Another reality is that the policies necessary to slow atmospheric warming, notably, a reduction in the burning of fossil fuels, involve reductions in current material standards of living for most people - in contrast with the increases in real incomes for most people resulting from removal of agricultural protection in industrial countries. This also cautions against expecting easy agreement on effective action to deal with the greenhouse effect. (Perhaps though, since many industrial countries have accepted lower average incomes in order to provide whatever perceived benefits come with protecting agriculture, they may be willing to sacrifice current average incomes also so that they and their descendants will have a better environment). A sounder basis for optimism, perhaps, is to be found in the promptness with which scientific knowledge of the harm caused to the ozone layer by chlorofluorocarbons was followed by international action, through the 1987 Montreal Protocol, to limit the use of substances that deplete it.

TABLE 1: Changes in Australia due to the Greenhouse Effect (2030 AD)

Temperature:	Up 2-4 deg. C.	
Rainfall:	Summers	50% wetter (except in the Southern regions)
	Winters	20% + drier
Larger daily maximum rainfall		
Large regional changes in:	Soil moisture)	Can increase or
	Runoff)	decrease by a
	Water Supplies)	large %
Tropical cyclones:	- further south - more frequent?	
More frequent "extremes"	e.g. floods, droughts	
Salinity problems inland		
Higher snowline		
Sea level to rise by 20-140 cm leading to:	• coastal flooding • salinity • erosion • storm damage	
Plant growth to increase due to higher ambient CO_2 levels.		

Source: CSIRO (1987)

Fourth, is there a particular educational role to be played by countries such as Australia and New Zealand? It is understandable that agricultural exporting countries which experience large economic losses because of agricultural policies followed by the industrial countries should engage in research and extension work directed to increasing knowledge of the cost of these policies to the countries concerned. For reasons that are well known, the production and dissemination of information on the domestic costs of agricultural policies does not ensure that policies which advance the public interest will be introduced. If it were otherwise, consumer and taxpayer groups in countries with offending policies would have promoted the needed research and education long ago.

In the case of global warming it is even less clear than it is for agricultural protectionism that research or extension activities by small countries can influence the action of the large industrial countries in which most of the carbon dioxide and other greenhouse gases are produced. However, the specialised local knowledge available to meteorologists, climatologists, agronomists and other scientists in particular small countries will allow them, as knowledge advances, to provide advice useful to domestic decision-makers on climate changes within the countries, and on the agricultural and other consequences of this.

Fifth, is it sensible for small countries to act unilaterally on the two problems? Small economies can achieve economic gains by reducing their agricultural (and other) protection unilaterally. Although overall its agricultural policy rates well, Australia could increase economic efficiency by reform of policy in such areas as dairying, wheat marketing, sugar, tobacco, fruit and pricing of irrigation water. Much larger economic gains could be obtained by reductions in protection for manufacturing industry. If we are still in the age of reason, however, there is no point in governments in countries such as Australia or New Zealand trying to hold global temperatures down by unilateral actions such as requiring energy authorities to move to cleaner fuels or subsidising the planting of trees. The key reason for this judgement, if one assesses policies by their effects on nationals, is the reality that the main beneficiaries from the action would live outside Australia while the costs would be borne domestically. An idealist with a catholic welfare function would see unilateral action by a small country as futile because its impact on the problem would be tiny. Scientists and economists have a role to play in creating an information environment that will make it harder for governments to rationalise on greenhouse grounds policies that they wish to make for political or income redistribution reasons. Recognising that a favourable greenhouse effect is

sometimes a (miniscule) bonus of a policy that is justified on other grounds, such as reducing domestic air pollution or salinity, is totally consistent with the above argument.

INSTITUTIONAL CHANGES

I have given considerable attention to the role of economists in influencing policy via education on the merits of different policies. Let me now make some brief remarks about the other approaches which Friedman says are available to economists for influencing policy.

The first of these other approaches was to carry out the analytical work and the exercise in persuasion necessary to achieve an institutional change that will 'bring about the desired result', and the second was to do the homework on problems so that new and better policies could be implemented at times of crisis. The problem of determining the desired result will not always be as clear to others as it is to Friedman. Someone said of Friedman 'I wish I was as sure about anything as he is about everything.' Often though the desired result will be to reduce economic waste.

Institutional change means changing the rules of the game. Occasionally dramatic changes occur. An example in the social area was the movement by the Whitlam Government to the system of no-fault divorce, allowing either party to unilaterally terminate a marriage. In the economics area, deregulation of the capital market and foreign exchange markets are huge institutional changes made in recent times in both New Zealand and Australia.

I intend now to make some very brief comments on how economists might contribute to institutional change to reduce the warming of the atmosphere, and some rather longer comments on institutional changes for reducing agricultural protectionism. Before doing this, however, I will digress to comment on an important recent institutional development in Australia, the introduction of a tuition charge for tertiary students. I also provide what is, to my knowledge, the first empirical evidence on the possible effect of the charge.

Fees for tertiary students

In 1988 the Australian Government replaced the nominal administration charge of $263 per year for university students with a fee of $1,800. The fee is only payable if and when the taxable income of a student or former student reaches $22,000; it is then payable as an addition of one percent of the student's taxable income, rising to two percent at a taxable income of $25,000 and to three percent at a taxable income of $35,000. The fee will be indexed to maintain its value in 1989 prices. A relatively low discount of 15 percent is provided for up-front payment (payment on enrolment).

I doubt that anyone would disagree with the view that the introduction of the tertiary fee was based primarily on political rather than economic considerations. The Wran Committee, whose report provided the basis for the tertiary fee - though the Committee's recommendations differed in detail, most notably in relating fees to course costs, from the Government's version - had to take as datum the Government's objectives of achieving a large increase in tertiary students and of increasing access for students from groups under-represented in higher education. The Committee's task was to consider options for funding the Government's growth and equity objectives partly through contributions from tertiary students, graduates, their parents and employers.

The resource allocation consequences of charging for tertiary education was therefore not examined in the Wran Report. The economic analysis that preceded the introduction of the fee was less than that which routinely precedes a change in policy for the wheat industry. Perhaps it is fair to summarise the minimal economics work undertaken by saying that while the existence of external economies from higher education in Australia is recognised, the efficiency case for a substantial cost-related charge is hard to dismiss. It may be that the political manoeuvring and the emphasis on equity arguments associated with the introduction of the tertiary fee will be followed, now that the fee is in place, by scrutiny of its resource allocation consequences. This scrutiny may be expected to lead to questioning of charges independent of course costs, zero real interest rates, and zero contributions to course costs from those who never earn $22,000 a year; these enducements to economic waste are all present in the current scheme. Agricultural economists may be better qualified than others to think carefully about whether there is a basis for charging students of agricultural science (a relatively

high-cost course) a different proportion of course costs than students in accounting, engineering or humanities.

I now present a couple of findings from a survey I conducted of first-year agricultural science students in all faculties of agriculture on the Australian mainland.

First, in answer to the question 'if the Government's scheme for taxing students ($1,800 per year enrolled) had been in operation when you first enrolled in Agricultural Science do you think you would still have enrolled in Agricultural Science,?' 72 percent of students said 'yes', 13 percent said 'no', and 15 percent replied 'don't know'. When the respondents were asked the same question in relation to the higher charge of $3,000 recommended for Agricultural Science students by the Wran Committee, the responses were 'yes,' 38 percent, 'no' 41 percent and 'don't know' 21 percent. For both levels of charges, response patterns were very similar for males and females, and they were in the main similar across universities.

The implied price elasticity of demand (arc elasticity) for a first degree in agricultural science as the annual 'price' increases from $1,800 to $3,000 is in the range -0.48 to -0.70, depending on whether all or none of the 'don't knows' are allocated to those demanding education at each level of charges.

Second, of the 278 students responding to the question 'do you support the policy of charging tertiary students for their education?', 83 said yes, 173 said no, and 22 replied don't know. Only 32 percent of students thought a charge of $1,800 a year would reduce failure rates; a further 11 percent were unsure. The number who thought the charge would reduce the withdrawal rate was slightly higher at 37 percent, with a further 17 percent unsure. The proportion of students seeing the charge as reducing the failure rate and withdrawal rate was much higher for those students repeating first year.

Institutional changes to tackle the greenhouse effect and agricultural protectionism

I will resist the temptation to pose as an instant expert on approaches to the greenhouse problem. As economists we can expect to hear much in the future about institutional changes directed to internalising the external diseconomies involved in the emission of greenhouse gases. Much of this will be a re-run of stories with which economists are familiar - pollution charges and quotas. The most obvious impacts on agriculture would be the direct and indirect consequences

of higher prices for fossil fuels. But the possibility of internalising externalities generated in agriculture by the release of methane and nitrous oxide may also appear on the institutional change agenda. The international nature of the greenhouse problem, and the unacceptability of efficient solutions which attach the same price to a unit of carbon dioxide produced in India as one produced in the United States, will present challenges to researchers in economics and other areas of the social sciences.

Economists and reform-minded politicians are finding it no easier to win support for institutional changes that would facilitate reductions in the distortions in global agriculture than they are in educating the public on the economic losses caused by present policies. Some seek to change the GATT to render unacceptable such measures as variable import levies, export subsidies, 'voluntary' export restraints and some state trading arrangements. Because changes require support of the very countries engaging in those practices, the prospects for reforming GATT in ways conducive to a freer world trade regime are not good. Lester Thurow has perhaps expressed the opinion of many informed observers in declaring GATT dead.

The approach of requiring each GATT member to implement institutional arrangements that would make the domestic costs of government intervention more transparent has received attention. Australians have referred to this approach as 'exporting the Industries Assistance Commission'. It has been supported both by a former chairman of the IAC (Carmichael 1986) and by an international study group chaired by a former Director-General of the GATT (Long 1987). A similar approach was advocated in a report to the GATT three decades ago (Haberler 1958). The approach of institutionalising arrangements that increase the visibilityof the costs of protection has merit. When the costs of a policy are high, it can be expected that opposition to the policy will be greater the more transparent the costs are. But how much does effective opposition to wasteful policies increase with increasing transparency? It is not clear how effective built-in transparency processes would be in reducing the ability of concentrated interest groups to win government intervention that was against the public interest.

Friedman has supported a Constitutional amendment saying 'Congress shall make no laws imposing tariffs or trade restrictions', or an even broader amendment saying 'Congress shall make no laws prohibiting voluntary contracts between consenting adults' (Friedman 1986, p.5). While Friedman's focus was on the United States, the idea is applicable elsewhere. Clearly the task of winning the mass

support needed for such a radical restriction on the power of governments is a substantial one. Moreover, in view of the longstanding absence of open trade in market milk in Australia despite a Constitutional guarantee of free trade between the States, Australians may be circumspect about accepting that a Constitutional guarantee would deliver what it promised.

Another constitutional change would be to require governments to provide industry assistance from the budget, rather than implementing measures that effect transfers from consumers. The rationale offered for this change is that the assistance would be more conspicuous; it is a transparency argument. There are again major problems in winning support for such a change, including opposition from politically effective producer groups. In addition, experience in the United States indicates that reliance on the subsidy approach does not preclude heavy assistance to agriculture.

While constitutional change is potentially a powerful way of changing the incentive structure, it is difficult to achieve. This is so if the 'constitution' is taken to mean a society's conventions and attitudes, as it is of changes in a written Constitution. Most of the efforts of economists to improve policies will have to occur within existing constitutional rules.

It is arguable that the most promising institutional reform discussed by agricultural economists is lump-sum payments which make assistance received by producers independent of current production. This approach has attracted considerable interest in the United States where it is labelled decoupling. Ideally lump-sum transfers would be a transitional policy, pending the removal of intervention not justified by market failure. There would be difficulties in determining the bases to which to relate transfer payments, including the treatment of new entrants to farming. There would also be the problem that farmers may judge - not unrealistically in view of past political decisions - that higher current production would give them a larger base for assistance in the future. But I see the development and explanation of lump-sum type policies as a very worthwhile route by which agricultural economists may ultimately contribute to radical improvements in global agricultural policy.

Although we have been told often that global agriculture is in crisis, world policymakers have not felt that they have had to abandon wasteful agricultural policies as they abandoned fixed exchange rates. Because the potential gains are so large, it is important that agricultural economists continue to discuss new

approaches that would reduce the waste and the international tensions. The climate in which political decisions are made can change in unexpected ways, and much more quickly than the atmosphere is warming!

CHOOSING PRESIDENTS OF THE SOCIETY

Finally, I turn to a rather different topic: the method of choosing presidents of our Society. This is not a subject that I have heard aired in an open forum before, and I make no assumption that a majority of members, let alone of ex-presidents, will thank me for doing so. But I have come to the view that it is desirable to air a few thoughts on this matter. By way of connecting these thoughts with earlier parts of this address I suggest it is at least possible that discussion of how the president is chosen will allow the Society's objectives - broadly, the promotion of research, teaching and extension in agricultural economics - to be achieved more successfully. If that is so, knowledge useful to the Society's members is increased.

Before considering ways of choosing a president, let me state his or her - I don't expect our Society will always be led by a male - main tasks. As I see it, Society members expect three main contributions from the president. One is to carry overall responsibility for the administration of the Society's affairs and for the development of new activities which contribute to achieving the Society's objectives. Of course, the secretary, treasurer, business manager, editors and other members of council play very important roles in the conduct of the administrative and development activities. A second task is to be responsible for organising the program for the annual conference. The third is to provide a challenging presidential address. In my view, these are the three most important tasks to bear in mind in thinking about potential presidents. This list might change if the Society's activities changed - for example, if it were to adopt positions on agricultural policy issues. (I am not advocating this course). I am conscious of the fact that in choosing presidents-elect regard is had to the service provided to the Society as editor, contributor to conferences and in other ways. There is an equity dimension in the choice of a president-elect, just as there is in much of our work on agricultural policy.

For as long as I have known anything about it, the person who was president-elect of the Society in one year has been the only person nominated for president the following year. Nor can I recall more than one person being nominated for

president-elect, though that may have happened. The nomination for president-elect emerges from the executive. In my experience there is often consultation with others, sometimes extensive. For many years the nomination has usually, though not invariably, followed the convention that the presidency alternates between an academic and a person from outside academia. It has always been possible for other nominations to be made for president and for president-elect, but as far as I am aware the custom of a single nomination has always prevailed.

The present approach to choosing the president has some advantages. 'The field' of eligible candidates should be considered, and hopefully sound judgements made about the merits of different contenders. This is a 'public interest' interpretation of office-bearers' behaviour. Given the skepticism shown by economists and others towards the view that politicians and bureaucrats are motivated mainly by the public interest, we should perhaps not accept too readily that Society office-bearers are concerned only with the good of the Society - and I abstract from the real problem of giving content to that.

The obvious alternative approach to selecting a president is a more open encouragement of competition for the position. With this approach, it would be desirable that the competition occur at the stage of choosing the president-elect rather than the president. This would retain the valuable practice (mandatory under the present Constitution) that the president-elect be a member of Council. With more than one nomination being viewed as the normal occurrence, it would be desirable for members to be provided with information on each nominee to help them make their voting decisions. Following the American Agricultural Economics Association model, this could be restricted to such factual information as the qualifications, positions held, professional activities and awards of the nominees. Or the contest could overtly take on a more political nature by allowing candidates to state a platform. While I am not aware of societies comparable to our own where the approach is followed, the platform would presumably indicate the direction in which a candidate, if elected, would seek to lead the Society, and specific changes he/she would attempt to make in what the Society does and how it was done. It is probably true with the present approach to choosing presidents that the general membership knows a reasonable amount about the professional background of those who become president-elect, but little if anything about their views on the direction in which the Society should head. This perhaps matters less than might initially be thought because virtually all significant decisions are made by Council, or at least by the Executive, not by the president. In addition, Council is

subject to instructions and guidance from the Annual General Meeting. However, other members of Council may be more reluctant to oppose a determined president if he/she had been chosen by members over other candidates. There is also the possibility that with greater competition in the election of presidents, would-be-presidents would try to secure the election of other office-bearers who would support them on council.

What would be the consequences of defeat in an election under a competitive system? Would worthy but sensitive contender decline to run again? Would having competed before be seen as strengthening a candidate's credentials?

Would a movement to a postal ballot of all members be desirable with competitive elections?

It could be argued that if competition were taken seriously, there should be no limit on the number of terms for which an individual could be elected to the presidency. The Society's constitution at present restricts an individual to a maximum of two consecutive terms as president. No one has ever been president for more than one term, and is unlikely to be while the constitution stipulates the election of a president-elect as well as a president at the Annual General Meeting. Of course, it is not uncommon to find in the constitutions of other societies and of countries, even those placing high value on competition, restrictions on the period for which an individual can be president. This restriction often has something to do with notions of fairness (spreading around the honour of being top dog) but some also see grounds for concern about efficiency when a leader, even one who regularly faces elections, occupies a position for a long period. The desire of members in a professional society for variation from conference to conference in the addresses they sit through is probably a major consideration pointing to frequent changes in leaders!

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