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RURAL POLICY IN AUSTRALIA- 1974 STYLE

A Review Article

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The publication of the so-called green paper on *Rural Policy in Australia*¹ is an event of considerable significance to Australian agriculture in general and to the agricultural economics profession in particular. The report is designed as an outline of principles and guidelines for discussion, rather than as a declaration of government policy as such. In the words of the Prime Minister, it is 'published with the authority of the Australian Government but without formal approval'.

Exposition or Innovation?

The document is probably best regarded as an exercise in communication—an effort to explain to politicians, members of farm organizations and others interested in rural policy matters the essential ingredients of a consistent national programme for the rural industries. This goal has in broad measure been successfully achieved.

Although the prose style of the report, by and large, is not really daunting, its 350-page length and the closeness of the argument may well discourage all but the more persistent readers. Occasional lapses into economic and statistical jargon such as imputation, opportunity costs, the principle of increasing risk, and coefficients of variation, do not help. It is possible that the Government's purpose in commissioning the report might have been better served if a much shorter, more readable, document had been presented together with a more technical supplement.

Is the green paper innovatory from a professional standpoint? With the possible exception of the discussion on tariff compensation, the reviewer would answer in the negative. Indeed, given the restricted time allowed for the exercise (four and a half months), one could hardly have expected anything different. Although a perusal of the footnotes to the various chapters might seem to suggest otherwise, the report to a substantial degree brings together the 'conventional wisdom' of the agricultural economics profession in Australia, as it has developed in the past quarter century.

¹ *The Principles of Rural Policy in Australia* (Report to the Prime Minister by a Working Group) (Canberra: Australian Government Publishing Service, 1974). The group consisted of Dr. Stuart Harris (Convenor), Sir John Crawford, Professor F. H. Gruen and Mr. N. D. Honan.

There are, however, some facts about Australian agriculture revealed in the report for the first time. Included in this category are the information secured from the Commissioner of Taxation on relative earnings and on the variability of the incomes of different types of taxpayers (Tables A2.11 and A4.4), the detailed dissection of the costs of government intervention measures related to the rural sector (Table A2.13), the extension of Houck's calculation of the relative importance of price and production variability in the case of various agricultural commodities (Table A4.3),² and the study of the implications of Chisholm's proposal for the reform of income-averaging for tax purposes (Table A4.5).³

Tariff Compensation and its Implications

The report is unique among governmentally sponsored documents in its explicit acceptance and exposition of the concept of tariff compensation and in the weight it gives to this as an argument for government assistance to agriculture. This particular issue has been pressed by representatives of the Australian Woolgrowers' and Graziers' Council (the major spokesmen for the unprotected industries) for many years and did in fact loom large in the submission made by that organization to the group responsible for the present report. Compensation for the tariff has also for fifty years formed part of farmer rationale for home consumption price schemes and it almost became an explicit element of rural policy in the ill-considered and ill-fated cost-compensation scheme advanced by Sir John McEwen in 1968 while he was Minister for Trade. One of the members of the working group, Professor Gruen, has since canvassed the general notion of compensating rural industries for the burden of the tariff.⁴ From now on such compensation appears destined to become a major component of Australian rural policy, even if it is, as the group insists, only a second-best course of action.

The views which the authors of the green paper have expressed on agriculture in relation to the balance of payments and tariff policy are predicated on what they assess to be a major change in the world economic climate—the movement away from the fixed exchange rates which have characterized most of the post-World War II era to greater flexibility of rates. Consequently, they argue that balance of payments difficulties will in future be obviated by exchange-rate (and possibly tariff) adjustment, thus rendering unnecessary government efforts to expand rural exports such as occurred in the fifties and sixties. Admittedly there have been considerable currency realignments in the past few years, but it is arguable whether the exchange-rate policies of the major trading nations will be as flexible in future as the authors assume.

² J. P. Houck, "Some Aspects of Income Stabilization for Primary Producers," *Australian Journal of Agricultural Economics*, Vol. 17, No. 3 (December 1973), pp. 200-215.

³ A. H. Chisholm, "A Comparison of Income Averaging Procedures for Income Tax Purposes", *Australian Journal of Agricultural Economics*, Vol. 15, No. 1 (April 1971), pp. 36-50.

⁴ F. H. Gruen, "Welfare Economics, the Theory of the Second Best and Australian Agricultural Policy" (mimeo) (1968) and F. H. Gruen, "Stabilization and All-Round Protection in Australian Agriculture" in D. Douglas (ed.), *National Rural Policy* (Sydney: Sydney University Extension Board, 1971), pp. 12-24.

Despite the devaluation decision of 24 September 1974, it is also questionable whether the Australian public will readily accept the degree of flexibility implied in the report. The group, for its part, argues that the rural industries will have to learn to tolerate exchange-rate variations and not expect compensation therefor.

Although the group acknowledges that the Australian tariff was originally initiated to redistribute income from the rural sector in favour of the manufacturing sector and to encourage employment in the non-rural industries, they assert that the use of tariffs in Australia in the post-war period has stemmed primarily from a failure to use exchange-rate adjustment as a weapon of economic policy. Readers of the report may well question whether the objectives of Australian tariff policy have changed as much as the authors maintain they have or should have. In any case, the group asserts that the rural industries have been burdened with additional direct and indirect costs, and are entitled to compensatory action, whether in the form of specific commodity protection or more general assistance such as taxation concessions.

Though the authors recognize some political constraints on the implementation of such a policy (including the possible repercussions of granting a high degree of compensation at times of high export prices), they appear optimistic that such a policy could be put into effect. Because of the inherent variability of the rural industries, the group recommends that any entitlement of these industries to protection be disbursed in a countercyclical manner—in short that balance in the relative protection of primary and secondary industry be sought over the long rather than the short term.

So impressed are the members of the group by the strength of the tariff-compensation argument for government assistance to agriculture, that they utilize it repeatedly in their report. For instance, it appears as a justification for such widely diverse activities as research funding by government (para. 5.256), the financing of pest control programmes (para. 5.265), export promotion expenditure (para. 6.225) and government sponsorship of northern development (para. 9.167).

Features of the Report

It is impossible to do justice to as many-faceted and detailed a report as the green paper within the confines of a short article. What follows is a brief outline of its major conclusions together with comments on some of the points which the reviewer regards as contentious.

(a) Background

After a somewhat discursive introductory chapter, the group in Chapter II sets the stage by outlining succinctly the characteristics of the Australian rural industries and their contributions to national output and the balance of payments. The predominant impression, as would be expected, is one of declining significance, though attention is drawn to the growth of productivity in the rural sector and to the increasing importance of the agricultural service industries. Half of the 4 per cent per annum growth in agricultural output in the twenty years ended 1967-68 is attributed to growth in productivity and half to increases in the volume of inputs. Stress is laid on the greater vulnerability of the individual

farm to farm price changes as a consequence of the fact that cash outlays represent an increasing proportion of gross income. The group discounts the probability of the buoyant rural incomes of 1972-73 and 1973-74 continuing for any time. The chapter concludes with a dissection and classification of the various types of rural assistance given by the Australian national government.

(b) *Government Involvement in Agriculture*

In attempting to spell out the objectives of rural policy as a constituent part of national economic and social policy, the working group in Chapter III adopts the stated objectives of the Industries Assistance Commission. These are predominantly efficiency-oriented. Despite subsequent disclaimers, efficiency remains the dominant touchstone of the report. The group then sets out what it believes to be the major reasons for intervention on efficiency and welfare grounds. One of these is compensation for intervention elsewhere in the economy. Surely if such a principle of compensation were scrupulously applied, it could defeat the purpose of other legislation. If, for instance, a government applied tariffs primarily to effect income redistribution from the rural to the manufacturing industries, any compensatory action in respect of the rural industries would tend to negate the original policy.

The next section of the Chapter traverses the familiar ground of inter-governmental relations and the constraints imposed on these by the federal constitution. The prohibition imposed by the constitution on discriminatory assistance directed to particular regions is not generally appreciated by the public. However, it is not strictly correct to say that such assistance 'can only be effected by means of a grant to the States under Section 96' (para. 3.36). Given the diversity of agricultural resources, quite a few input subsidies (e.g. fertilizer bounties) and output subsidies (e.g. assistance to the sugar industry) have significant differential effects on regions.

The final section on inter-sectoral relationships is dominated by the discussion on the balance of payments and tariff compensation to which reference has already been made.

(c) *Stabilization*

One of the hallmarks of the green paper is the emphasis it gives to problems of instability. In Chapter IV the extent of price and production instability for a wide range of products and the adverse effects of such instability from the standpoints of both efficiency and welfare are analysed in considerable detail. This analysis is supplemented by some tax data showing that the net incomes of farmers fluctuate more than those of other entrepreneurs and wage earners.

The deficiencies of conventional Australian stabilization schemes and drought mitigation measures are outlined. On the positive side, the working group recommends more detailed examination of all-risk crop insurance and income stabilization schemes by an *ad hoc* committee. Though generally approving income-averaging for tax purposes, the group feels that the scheme could be improved by adopting the so-called marginal adjustment system. This would have the effect of modifying the tendency of simple averaging to destabilize post-tax income. Finally there is a discussion of systems like the Australian drought bond scheme

and the New Zealand income equalization scheme, which allow producers to set aside deposits, which are not taxable until the year of withdrawal. These schemes are viewed by the group as advantageous provided there are safeguards against their use for tax avoidance.

(d) *Efficiency of Resource Use*

In Chapter V, the efficiency of the markets for farm inputs (labour, purchased inputs and credit) are examined and the contributions of land, research and quarantine policies to overall productivity are assessed. The authors of the report, though somewhat ambivalent, are generally unhappy about the use of input subsidies and tax concessions. If the latter are adopted for administrative reasons, they would prefer to see them implemented in the form of tax credits.

On questions of land policy, the group criticizes the continuation of legislative limits on farm aggregation. It argues that, in future irrigation development, landholders should be charged the full economic cost of water supplied and recommends that comprehensive economic and environmental analyses should precede any public investment in developmental projects. Tax concessions for land development, it is said, are outmoded in an era of variable exchange rates, though their continuance to encourage soil conservation activities is given guarded approval. The conservative nature of rentals charged on Crown leases is noted, but there is no suggestion of raising them as a means towards more rational land utilization. Likewise, while the flexibility of a leasehold system is recognized, its advantage in facilitating adjustment of the settlement pattern is not explicitly mentioned. The group recommends that policies likely to discourage sharefarming should be avoided.

Though they note that recent administrative action has led to some extension in the average length of farm loans, the authors of the report urge further steps to increase the supply of longer term rural credit, preferably through existing institutions. Some of the drawbacks of concessional interest rates are recognized, but insufficient weight is given to their effect in limiting capital availability in the rural sector.

In the section on research policy, much greater reference is made to submissions than in earlier parts of the report. Many of the complaints made in such submissions about industry-sponsored research are dismissed, but the notion of greater flexibility in the use of industry research funds is supported. Though the group has some well-merited doubts about the virtues of research coordination, it does canvass the idea of periodic multi-disciplinary public reviews of research issues. Its confidence in farmer participation in research direction is, to say the least, questionable. The group seems attracted to proposals to mitigate year-to-year variability in industry-derived research funds, and to specification of the proportion of funds allocated to salaries and capital costs. Recognition is given to the difficulties of financing research in universities, particularly given the mode of governmental participation in research in Australia. However, no novel remedies are suggested. On the question of the extent to which rural research should be funded by the relevant industries, the group is unable to give any clear guide, though it does canvass the notion of a general research levy.

The group points to the impossibility of gauging the adequacy of present expenditure on agricultural extension. Stress is placed on the

need for further training of extension workers in farm management and communication skills.

On the issue of education, the authors of the green paper draw attention to the educational deficiencies of the average Australian farmer in an international context. The group quotes approvingly from a submission of the N.S.W. Minister of Agriculture suggesting that too much emphasis has been placed 'on producing people for professional and semi-professional employment at the expense of those employed as technicians and operators in the industry' (para. 5.196). This diagnosis is particularly galling coming as it does from a department which has been actively engaged itself in turning one-time farmer colleges into training institutions for professionals. From a remedial point of view, the group has nothing to offer save more research and greater farmer participation in planning.

For its views on quarantine and disease control the working group defers unquestioningly to 'expert advice', relying very heavily on submissions by quarantine authorities and similar sources. The effectiveness of past expenditure on pest control activities is not seriously questioned and little is made of the losses to Australian agriculture which have stemmed from inability to import valuable genetic material because of quarantine restrictions. 'We', says the group, 'would regard it as essential that they [controls] be maintained at levels which expert advice suggests is [*sic*] sufficient for effective control' (para. 5.207). The advocacy of such a free hand for scientific experts is difficult to reconcile with the group's strong recommendation that the evaluation of the costs and benefits of eradication and control programmes should be stepped up without delay.

(e) *Marketing Policies*

In Chapter VI on marketing policy attention is drawn to the high income elasticity of demand for marketing services, and the necessity for continued research to improve marketing efficiency. The group anticipates that in the future there will be greater coordination of production and marketing activities especially through vertical and horizontal integration. It foresees the possible need for governments to step in to protect producers from being disadvantaged. The Victorian Government has in fact already set up arbitration procedures for the broiler industry.

The group takes cognizance of the recent renewed concern of farmers about their bargaining power. In its discussion of cooperatives, it seems to overrate the significance of such business arrangements in Australian agriculture, at least relative to other countries. Its reliance on the experience of cooperatives in the United States and Europe as a guide to future Australian developments in this area is in the reviewer's opinion misplaced. There is a suggestion by the group that cooperatives on occasions might have advantages over statutory marketing boards. Their further suggestion that cooperative organizations should be encouraged as a means of enhancing farmers' bargaining power could become questionable if such cooperatives grew sufficiently large to exercise political or monopoly power.

The group's attitude to statutory marketing boards is pragmatic. They point out that opportunities for different types of action vary from

commodity to commodity. On the other hand, members of the group appear unnecessarily non-committal concerning recent questioning of the performance of marketing boards.

Chapter VI also contains a discussion of various types of price support arrangements. Five objectives of such policies are recognized, viz. (1) to provide bargaining support to producers; (2) to improve returns from overseas sales; (3) to increase stability of prices for domestic producers and consumers; (4) to raise farm income; and (5) to move progressively towards the equalization of effective rates of protection between different rural industries and between the rural and non-rural sectors. The last-named objective could hardly be regarded as a generally accepted goal but reflects rather the group's own thinking.

Attention is drawn to the self-defeating effects of home consumption price schemes and to the ineffectiveness of price policy as a means of assisting low-income farmers. The idea of making high-income producers ineligible for such subsidies is dismissed on efficiency grounds. Specific welfare payments for low-income farmers and adjustment assistance are the forms of action preferred in the report.

The relative advantages and disadvantages of direct subsidies, deficiency payments and two-price schemes are canvassed. The use of domestic quotas in the latter schemes is advocated. The group looks favourably upon stabilization arrangements such as the one applying to the wheat industry. They argue that it is desirable that assistance given via price policies should be operated in a countercyclical manner.

The authors of the paper seem ambivalent and somewhat uncritical about supply controls, especially given the fact that if their pricing guidelines were followed there should not be much occasion to employ such techniques. The economic consequences of various types of supply control and the difficulties of implementation are outlined. However, the differential impact of market quotas *vis-a-vis* input quotas as regards the incidence of risk-bearing in an uncertain environment is not discussed. The equity and efficiency considerations arising in the area of production control are stated to be difficult to reconcile. The transferability of quotas is recommended as a means of introducing the flexibility needed on grounds of efficiency.

The report stresses the importance of generating authoritative information about market outlook both in the short and the long run and of disseminating it to those in a position to use it.

In the section of the report dealing with overseas trade policy, the likely continued overseas market orientation of Australian agriculture is stressed, as is the need for consistency of agricultural and trade policies if Australia's plans for liberalization of world agricultural trade are to be taken seriously. Some may question the group's judgment that Australia's record as regards rural protection practices is 'relatively good', and its dismissal of GATT complaints as trivial.

From a survey of trends in agricultural protection overseas in the post-war period, it is concluded that international efforts in GATT and elsewhere aimed at promoting trade liberalization are likely to progress slowly. However, the latter-day tendency in international negotiations to concentrate more on troublesome national agricultural support policies rather than on trade restrictions as such is thought by the group

to be more conducive to eventual success. At the same time Australia will be expected to make concessions. A willingness to provide compensation and/or adjustment assistance for groups adversely affected will facilitate progress.

Despite the ineffectiveness of past international commodity arrangements, the working group considers that Australia should continue to press for such arrangements. It believes that greater stress should be placed in such agreements on supply management and access commitments. A greater willingness by countries to face up to the structural implications of an internationally-coordinated trade policy is considered basic to the achievement of viable commodity arrangements.

The group envisages a continuance of bilateral trade negotiations as a supplement to activities of a multilateral nature. Their tendency to look upon bilateral agreements as predominantly favourable seems strange in the light of the disadvantages which Australia experienced as a result of some of the Anglo-Australian contracts in the post-war period.

In the area of trade services, the group speaks approvingly of Trade Commissioner activities and efforts designed to maintain export standards. However, it advises that some coordination of export and domestic standards is desirable and believes that exporters ought to pay some of the costs of administering these. The misuse of health and quarantine restrictions as protective devices is denounced. Continuance of overseas promotional activities is generally recommended, though the question is raised concerning the effectiveness with which some subventions for this purpose are used. On the other hand promotion outlays on domestic markets are deprecated.

The report reviews Australian experience with food aid schemes and mentions the country's increasing contributions in this area. It questions the value of longer term food aid, coming down rather in favour of aid in emergency situations. It recommends that Australia should participate in the mooted international stock-holding arrangements against such emergencies, but stresses that such activities should be financed by the community at large. Given the recent decline in world food stocks, the group anticipates that there will be more frequent food crises in the coming years.

(f) *Rural Adjustment*

A substantial part of Chapter VII, like the preceding chapter, represents a resumé of past government action. Having stressed the inevitability of structural change in the rural industries and its effects on the rural work force and on the countryside, the group then addresses itself to the future of the family farm. It points out the disabilities of such farms from the standpoints of capital-raising and liability to death duties. However, it concludes that currently these farms are not likely to be displaced as the predominant form of farm business, provided they have access to the capital necessary for them to remain flexible and adaptive. No specific policy to foster the preservation of this institution is thought necessary.

Though the incidence of estate duty is shown to be heavier on rural than on urban estates and though these duties can have adverse effects on rural efficiency, the working group is unable to recommend any

alleviation of such duties. Rather they see the remedy in terms of reforms in agricultural credit and the greater use of estate planning as a means of reducing liability for death duty.

The report makes a case for governmental assistance to facilitate structural adjustment in agriculture as distinct from other industries on the grounds of special circumstances, such as the lower availability of alternative occupations, the regional concentration and the greater incidence of instability. Although the main object of such intervention is to assist market forces, the group maintains that there is sometimes a case for short-term assistance to producers if an early improvement in market conditions can be anticipated.

The authors of the document suggest that experience in the 1970-71 rural recession indicates a need, at times, for government action to restructure rural debt, particularly when regular credit institutions do not prove flexible enough to meet farmers' needs. Such assistance should be restricted to properties, the longer-term viability of which is not in doubt. It is usually forthcoming for political reasons if the difficulties are regionally concentrated. In the case of non-viable properties, amalgamation of holdings needs to be facilitated if recurrent trouble is not to be experienced. The group suggests that part-time off-farm employment is not as easy to obtain as in the United States, though it later presents evidence that a significant number of low-income farmers found jobs of this kind (para. 7.105). The importance of full employment in facilitating labour mobility is emphasized.

Details are given in the report of progress made under the four rural reconstruction schemes in operation in Australia as well as the scheme for the retraining of displaced persons. The group's evaluation of what was done in 1970-71 and later, as well as its talk of 'irrational responses and over-reactions to difficult economic situations' (para. 7.118) seem to be coloured by the advantage of hindsight. It is all very well to say after the recovery in wool prices that 'debt reconstruction and carry-on funds almost certainly limited the market reaction to a price situation not warranted by the changes in underlying demand and supply forces' (para. 7.93). But in the midst of the recession no one foresaw the subsequent dramatic improvement in wool prices, and there was genuine concern about the proportion of reconstruction funds going into debt adjustment rather than farm build-up. The group does however acknowledge that many of those farmers who survived the 1970-71 recession are destined for early trouble if market conditions deteriorate.

The group argues for continuance of the reconstruction programme on flexible lines, pleading especially for assistance to farmers disadvantaged by government programmes. Attention is drawn to the untoward effects of making reconstruction loans available at low rates of interest and their revision upward is recommended. Re-examination of the degree of assistance provided to displaced farmers is suggested, as well as the extension of help in relocation to non-farm residents in depressed rural areas. Only in the last paragraph of the chapter is the fact noted that farmers' individual initiatives in adjustment may well outnumber those taking place under public sponsorship.

(g) *Welfare of Rural People*

In Chapter VIII, the authors of the report address themselves to

broader welfare problems affecting both farm people and the non-farm rural population. Attention is drawn to the wide range of social and economic factors contributing to human well-being and how they vary as between rural and urban environments. The goal of government, the authors state, should be to promote an equitable distribution of economic welfare and to foster equality of opportunity.

On the basis of available data, the group concludes that the average income standards of the farm and non-farm sectors are broadly equal, but points out that the frequency distribution is wider and the year-to-year variability of incomes greater in the rural sector. The average net worth of farmers is substantially higher than that of their urban counterparts but the ratio of money income to net worth tends to be much lower in the farm than in the non-farm sector. The income situation is complicated by marked differences in the regimen of living costs in urban as compared to rural areas.

Attention is drawn to the conclusion of the Commission of Inquiry into Poverty that the proportion of the population in rural non-farm areas who were poor was higher than in towns and cities with populations in excess of 25,000. From BAE estimates of the incidence of low-income farms in various industries, the group concludes that poverty in farming areas is not as great as that in the smaller rural towns.

The remainder of the chapter is concerned with the adequacy of public services in rural areas. The group stresses the difficulty which farmers experience in meeting the eligibility tests for unemployment benefits and commends a scheme to provide cash benefits to self-employed persons experiencing hardship. It says that there is also evidence of discrimination against farmers in the eligibility tests applicable to the present old-age and invalid pension schemes.

The group recognizes that a significant upgrading of welfare services in country districts is planned, but feels that even if this were achieved, rural people would still be at a disadvantage. The problems of older farmers on low-income farms are highlighted. Possible lease-back and annuity schemes involving transfer of the farmer's equity in his property are canvassed, but the group insists that further research is necessary before such schemes can be implemented.

Though the standard of educational services provided at the primary and secondary levels is broadly uniform in Australian urban and rural areas, the group believes that the lower retention and achievement rates in country districts should give cause for concern. Opportunities for technical, tertiary and pre-school education are also more limited in such areas. The group recognizes that both the state and federal Governments are currently attempting to reduce rural-urban differentials in educational opportunity, but it takes the realistic view that precise equivalence of opportunity is impracticable.

The group's discussion of rural health services is mainly drawn from material supplied by the National Hospitals and Health Services Commission. Specific attention is drawn to the inadequacies of small country hospitals, particularly in the light of modern medical trends emphasizing centralization of specialist services. The regional planning of health services is recommended as a means of overcoming shortcomings in rural areas.

Attention is drawn to shortcomings in the provision of other services

(such as water, sewerage, electricity, roads and communication) in country areas and the high costs of providing them. Significant progress has been made in reducing disparities in recent decades and the group believes these efforts should continue. The question of the degree to which the higher costs of services should be subsidized by state and federal governments is tied up in some degree with policy towards decentralization. The policy of the present Government has been to reduce the degree of subsidization.

The greater incidence of unemployment in rural as against urban areas and the limited opportunities for employment in country areas (especially for women) are discussed. No ready solution is offered apart from decentralization and the provision of more training schemes for specific occupations.

(h) *Resources and Settlement*

Chapter IX, dealing with problems of resource use, relies very heavily on submitted evidence, some of which appears to be given greater credence than is justified. The discussion on environmental and conservation issues is, for the most part, conventional and has a distinctly doomsday tone about it. Environmental stability is accepted unquestioningly as an appropriate goal. The contributions of agricultural economists such as Ruttan and Schultz⁵ to the elucidation of rural environmental questions are neglected in favour of the now familiar line of the latter-day ecologists.

The measures suggested to mitigate the environmental impact of agriculture are essentially technical in nature. Except in the case of soil erosion, virtually no regard is paid to the economic issues involved. For example, biological controls are recommended over chemical measures without reference to costs. It may well be that ultimately decisions on environmental issues are political (para. 9.38), but economic costs and benefits are one of the necessary bases for forming political judgments.

The group recommends that, where practicable, the cost of pollution should be attached to the processes that cause it, but recognizes the problems associated with the implementation of such a policy. Given the patent inadequacy of technical knowledge about pollution effects (which the group itself recognizes (para. 9.33)), its readiness to recommend regulatory measures is frightening. While endorsing the Department of the Environment's call for environmental impact statements, the group stresses the need to give proper regard to the agricultural implications.

An inordinate amount of space is given over to issues of land-use policy. Some questionable subjective principles derived from the CSIRO submission are given currency. It is suggested for instance that 'land particularly well suited to one use should be allocated to that use' (para. 9.53), and again that 'to retain native wildlife, certain areas . . . require wildlife reserves not open to the public and surrounded by a belt of national park to act as buffers against invasion by the altered populations of the outside world' (para. 9.56). No justification is provided

⁵ V. W. Ruttan, "Technology and the Environment", *American Journal of Agricultural Economics*, Vol. 53, No. 5 (December 1971), pp. 707-717 and T. W. Schultz, "Is Modern Agriculture Consistent with a Stable Environment?" (Paper presented to the Fifteenth International Conference of Agricultural Economists, Sao Paulo, Brazil, 1973).

for the preservation of wildlife in such a state or for giving priority to the alleged needs of wildlife over those of human beings. Principles such as these appear to be treated with undue deference by the working group when they might better have been considered more judiciously.

The group raises the question 'To what extent should the use of private land . . . be controlled' (para. 9.74). In the discussion, some reliance is placed on the now somewhat discredited time-preference theory of conservation. The group's answer suggests inadequate recognition of the degree to which anti-social practices are the result of inadequate credit facilities, inadequate farm size, fluctuating markets or insecure tenure conditions, etc. It would be more appropriate to initiate action to attack the causes rather than try to ban the symptoms of the disease. How the group reconciles its penchant for public controls with its earlier stated national objective of maintaining 'the highest possible degree of freedom of thought and action' (para. 1.11) is at times hard to fathom.

The group supports the views of the Committee of Inquiry into the National Estate regarding the rationalization of the numerous authorities exercising control over non-urban land. The issue of the desirability of devoting manpower and money to the compilation of a national inventory of land resources and their capability is dodged by recommending that it be a matter for separate enquiry. The group is rightly sceptical of the concept of land-use planning. In addition, it questions the need and the wisdom of making commitments about future land use now.

The submission by the CSIRO that first-class agricultural land should be reserved from urban uses is properly dismissed. Similar reasoning lies behind the demand by farmers and others for restraints on hobby-farming, a phenomenon not confined to the rural-urban fringe as the report implies. The group takes the view that provided any costs it imposes on the community are met, hobby-farming should not be discouraged. On both issues, the group might well have further stressed the fact that agricultural land is not scarce and, if anything, is becoming less so. With respect to speculative gains from land ownership on the rural-urban fringe, the group appears to favour the appropriation of development rights by the Crown.

The section of the report devoted to forestry is characterized by a concern about the lack of firm data and the inadequacy of the research undertaken with respect to the industry. The group is critical of the fact that self-sufficiency has been adopted as the goal of national forestry policy without serious consideration of the implications. Moreover, it rightly claims that current forecasts of future timber needs are of doubtful validity.

The group stresses the desirability of multiple use of forest land but points to the difficulty of reconciling the views of foresters and conservationists with respect to this matter as well as to the clear-felling of timbered areas. The group refuses to arbitrate on these conflicts emphasizing merely the necessity to develop 'guidelines reflecting sensible compromises between the economic needs of society and the very proper concerns of the environmentalist' (para. 9.129).

The report draws attention to the increasing urbanization of the Australian population and the consequent interest in decentralization as a way of avoiding the high costs of continued metropolitan expansion.

The fact that the rural industries cannot alone provide a basis for decentralization is stressed. The nature and purpose of the recent government emphasis in selective decentralization and the probable effects of it on the surrounding countryside are outlined. In addition to any concentrated decentralization of this kind, the group believes that there will be further growth of the larger country towns because of their service functions. It feels that it would be premature to remove all measures aimed at encouraging generalized decentralization but warns that measures designed to offset the cost disadvantages of more isolated areas may lead to uneconomic development. Attention is drawn to the special problems of country towns adversely affected by rural restructuring and of secondary industries in rural areas affected by tariff reductions.

The difficulties associated with promoting the agricultural and pastoral development of northern Australia in accordance with existing government policy are briefly outlined. In the event that government assistance over and above that applicable elsewhere is required, the group believes that a clear limit to such developmental support should be established. The necessity for reconsideration of land tenure policy and overseas investment policy in relation to northern areas is stressed.

Unfinished Business

The working group in a number of places in its report has indicated its reluctance or inability (owing to pressure of time) to go into particular matters in greater depth. These pieces of unfinished business, though doubtless disappointing to some readers, may inspire other professional workers to further research efforts. In these circumstances, some purpose may be served by listing some of the major topics which the group has set aside as worthy of further investigation. These include:

- (1) calculation of the relative protection provided to rural and non-rural sectors (para. 3.70)
- (2) all-risk crop insurance (para. 4.90)
- (3) income stabilization schemes (para. 4.99)
- (4) economic aspects of soil conservation (para. 5.92)
- (5) evaluation of the costs, organization and benefits of extension services (paras. 5.179 and 5.190)
- (6) investigation of post-school agricultural education (para. 5.192)
- (7) analyses of the economic costs and benefits of pest and disease control and eradication programmes (para. 5.215)
- (8) research into the efficiency of market services (para. 6.20)
- (9) the study of cooperatives and their success in coping with change (para. 6.57)
- (10) evaluation of the nature and effectiveness of wool promotion (para. 6.224)
- (11) the comparison of living costs in urban and rural areas (para. 8.19)
- (12) social welfare schemes for older farmers (para. 8.49)
- (13) economic aspects of soil conservation control and extension programmes (para. 9.20)
- (14) the economic and environmental aspects of forestry (para. 9.133)

The Next Stage

The question inevitably arises as to what purpose the present report is likely to serve. There is no doubt that it is extremely useful to have set down in one place the broad characteristics of the rural industries, their problems, and the ways in which government assistance can justifiably be provided for them. In this sense the report will become a vade-mecum for farm organizations and their advisers. But will this set of principles influence policy makers, or to put the question even more specifically, will the report help the Government to formulate an attitude to the Wool Corporation's plan for the future marketing of wool or help it to settle on a better form of wheat stabilization scheme? An affirmative answer cannot be given with any confidence.

Several aspects of the situation give reason for doubt. First, the working group was made up of past and present public servants and/or governmental advisers who already have had the ear of the Government and presumably have already been giving advice along these identical lines. The full fruits of such advice are yet to be seen.

Second, uncertainty as to the purpose and usefulness of the whole exercise is fostered by the Government's reference to the Industries Assistance Commission of several of the significant matters taken up in the present document e.g., promotion, rural reconstruction and research. The question might well be asked why Dr. Harris and his colleagues were asked to report generally if matters such as these are going to be submitted to further enquiry. Sir John Crawford's footnotes to the report can be interpreted to mean that, at least as far as he as a Commissioner is concerned, the Industries Assistance Commission's enquiries will start again from scratch.

Since the report is a statement of guidelines rather than a statement of government policy it does not provide farmers with the predictable set of policies which, the group says, farmers are demanding. In theory at least, a green discussion paper ought properly to be followed by a white paper outlining government policy. Thus far neither the Prime Minister nor the Minister for Agriculture has given any firm indication of his intentions regarding the second stage. The report should encourage the kind of widespread dialogue which the Prime Minister envisaged taking place when he set up the working group, but one hopes that something more than dialogue will be the outcome.