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The Australian wine industry provides an excellent illustration of this point. While Australia has more recently produced wine in areas with similar climates to the traditional French wine regions, the locations initially chosen for grape growing in Australia were typically hot and dry (South Australia and the Hunter Valley, among others). Indeed, Simpson provides a fascinating quote from Thomas Hardy, one of Australia's viticultural pioneers, detailing his frustration at many French 'experts' who attempted to unsuccessfully promote their native methods in Australia. Hardy was of the view that Australian producers had adapted well to the more challenging conditions, through innovation and the development of technology. These origins arguably fostered an industry that is now considered one of the more technologically advanced in the world.

Creating Wine was a delight to read. Simpson has chosen to study a pivotal time in wine production, dictated not only by changing market structure but also various supply shocks and societal factors. While many of us may have some idea of the broad issues that existed in the market for wine around this time, Simpson has provided a thoroughly researched, comprehensive piece of work that will satisfy anyone from novice to expert.

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Breaking the Sheep's Back: The Shocking True Story of The Decline and Fall of The Australian Wool Industry, by Charles Massy. Published by University of Queensland Press, St Lucia, QLD, 2011, pp. 464, ISBN 9780702238857 (\$39.95 paperback).

Unlike the British House of Lords, there is no wool sack in the Senate in Canberra. But Australia did ride on the sheep's back for well over 100 years – from the advent of the Australian Merino from the mid-19th century well into the second half of the 20th century. The ride finally ended with the collapse of the wool reserve price scheme (RPS) – a buffer stock scheme – in February 1991 and the decade it took to dispose of its rotting corpse – the 4.77 million bale wool stockpile, equal to nearly a year's production.

There is no question this book is '... the mother of all case studies', as Emeritus Professor Jack Lewis writes in the foreword. That will make the book interesting to anyone concerned with the role of interest groups in making and managing economic policy. It shows how a small focussed interest group playing a long game can win against the wishes of a possibly larger but uncoordinated group, especially if they are poorly educated woolgrowers.

Massy relies importantly on personal interviews with people involved in Australian wool policy and the wool trade from about the 1960s. So it is

good the book has been written now because people with a connection to the events described are not getting any younger.

I agree with Massy's account of this Australian recipe for disaster. Begin with two relatively distinct groups of woolgrowers, represented by their own organisations. There are the graziers – stereotypically private school educated, running large and specialised sheep operations, wealthy and tending to be pro free market. Then there are the 'yeoman types' – running smaller mixed enterprises, principally wheat and sheep, less wealthy and 'agrarian-socialist'. To their abiding mistrust of 'middlemen', add the agricultural price collapses of the Great Depression to reinforce the ingrained interest of the yeoman types in market intervention. Sprinkle in a few powerful and well-connected opportunistic interventionists prepared to ignore two woolgrower plebiscites and focussed on the long game. Amongst others, Massy singles out Sir William Gunn, Sir John McEwen and a younger David Asimus (AO) for special attention.

The interventionists bide their time and then seize the opportunity provided by the 1970 wool market collapse. The dough has risen: Australia has a flexible reserve price scheme. In 1974, this morphs into the RPS based on a minimum reserve price (MRP) at auction – determined annually by the Minister for Primary Industry – and run by the Australian Wool Commission rebadged as the Australian Wool Corporation (AWC).

The formation of the National Farmers' Federation in 1979 leads to unification of the woolgrower organisations into the Wool Council of Australia (WCA). That silences the more conservative voices of the graziers leaving the 'yeomen' in charge. Simultaneously, good luck and compulsory wool taxes are boosting the AWC's financial resources, which strengthen the political power of the interventionists generally.

Now stir in the Hawke Labor Government (1983–91), which floats the currency, winds back protection and moves to deregulate the economy, all good things needed to open Australia up to the world. This reforming policy zeal plus the growing power of the AWC eventually gives us the *Wool Marketing Act, 1987*. The *Act* takes the extraordinary step of largely ceding the annual setting of the MRP to woolgrowers. Based on the relevant economics literature and experience, this was a stupid regulatory model if ever there was one!

Soon after the 1987 Act is enacted, market prices spike in 1987–88 due largely to the depreciation of the Australian dollar. The spike is assumed by some to mark a permanent shift in prices, and the MRP for 1988–89 is set at 870 c/kg clean, a jump of 71 per cent over just two years. Opponents of such a large increase have the ground cut from under them when in its annual brief on the setting of the MRP the Australian Bureau of Agricultural and Resource Economics (ABARE) – usually the 'honest broker' on this – indicated that an MRP even as high as 1,000 c/kg is sustainable over the medium term. That was despite the fact ABARE's price model could only explain about 70 per cent of the peak price of 1,257 c/kg in 1987–88.

With a good season and encouraged by the high wool prices – seen to be underwritten by the ramped MRP – Australian wool production reaches a new record in 1989–90 just as the dollar appreciates and demand drops suddenly following the collapse of the Soviet Union and a shift in Chinese policy. The AWC begins buying heavily at auction – the end is near despite desperate efforts by wool’s agro-politicians to keep the RPS alive almost at any cost.

Massy points out that for much of the period described, the interventionists were working away busily in the background – bankrolled by compulsory wool taxes initially levied to fund research and promotion – to commission a series of ‘marketing’ reports. These indicate the ‘industry’ – the WCA and AWC – remained focussed on acquisition of the wool clip by a statutory authority. The industry also kept pushing for ever higher MRPs, motivated partly by cost of production considerations. The push for higher MRPs was despite the original objectives of the RPS and the requirement under the earlier legislation that reserve prices should never ‘defy or force the market’.

Charles Massy was briefly an insider in Australia’s wool policy circles and has used his experience in seeking out and interviewing people. He fleshes out the foregoing summary chronologically and in considerable detail, including enough new information to satisfy even those broadly familiar with the story. The detail, which many people would want forgotten, is what makes this book an important historical record.

This book is about political economics and especially the failure of governance in the wool industry’s organisations. The narrative is set against a free market ideal in which wool’s heterogeneous characteristics and the importance of the customer are recognised. Massy also recognises that in a world of floating exchange rates, it is impossible to simultaneously stabilise prices for foreign wool users and Australian woolgrowers. Massy effectively summarises much of the largely settled conclusions on the risks inherent in a wool buffer stock scheme and quotes some early and prescient accounts of what might happen with an Australian RPS.

The book focusses on the RPS and wool promotion through the IWS (International Wool Secretariat) and contains some great word pictures. Examples include Massy’s paraphrasing into ‘sex and travel’ of the suggestions from woolgrowers to John Kerin at the May 1990 WCA meeting in Roma and the phrase ‘yeoman farmer types’ even if it is patronising. I also liked Massy’s illustration of the size of the stockpile – which if placed end to end would have stretched from Sydney to Perth and a good way back. For readers more familiar with other continents, I put the stockpile length as about equal to the road distance from Glasgow to Baghdad and longer than Seattle to Miami.

One disappointment is that the book contains no analytical tables or figures that would complement and emphasise the text. Given the topic, I would have thought a figure showing wool market prices and the MRPs over time

almost mandatory. A list of the AWC's Board members would also have been interesting because of the Board's shared responsibility for the wool policy debacle.

Massy describes the RPS collapse as the most damaging Australian policy failure ever. It is clear that many individuals and organisations were implicated in the collapse. Indeed, very few of the prominent people with actual and potential inputs into the RPS after the 1987 Act can be seen to be completely free of criticism for the policy errors – including former Prime Minister Paul Keating, the Minister John Kerin and DPI's Peter Core (the Government representative on the AWC Board). An interesting part of the story is the significant role of the Hawke–Keating tensions over the Prime Ministership, and it is noteworthy how effectively the policy system, which played such a strong part in the collapse, dumped the blame and cost onto woolgrowers, who of course were implicated. At least John Kerin and Peter Core realised they made mistakes, as Massy tells us. But apologies in hindsight will not undo the damage wrought by the RPS collapse and its aftermath.

In a book so reliant on the experiences and memories of those interviewed, I am not surprised to find some areas with which I would take issue. For example, Massy has overlooked the fact that the expectation the MRP would never be lowered only became ingrained after Ian Sinclair's 'rolling forward guarantee'. When he set the MRP at 234 c/kg for 1976–77, Sinclair guaranteed it would not be less than that for 1977–78. The Minister gave the undertaking to appease his critics for lifting the MRP by less than the AWC had recommended.

I believe the author is a tad too enthusiastic about the submission by ABARE to the Wool Review (Vines) Committee in 1990 and is wrong to refer – even if only in passing – to the stockpile as an 'asset'. My technical issue is with ABARE's choice of demand elasticities. Simulations have shown that more plausible empirically sourced values of the elasticity turn the 'asset' into a huge liability.

Massy's story suggests some explanations as to why the academically and more generally well-known economics of buffer stock schemes, and of an Australian scheme for wool in particular, ultimately had so little effect on the ill-fated RPS. Academics are not necessarily the most effective advocates for politically charged policies. The principal incentives of academics are to publish in professional journals rather than to engage in the tedious lobbying needed to translate their research into policy. As Massy's narrative indicates, if economic research on highly political matters is to make any difference, it needs a champion to carry it into the policy councils. One of the reasons the campaign – based on the economic research – against an RPS succeeded in 1965 was because it did have two prominent champions. One was Sir Frank Packer and his media empire and the other was George Le Couteur, the economically literate Managing Director of AML&F (Australian Land and Mercantile Finance Co), who led the 'No' campaign.

Unfortunately, once the Graziers Council closed shop in 1979, there was no longer any continuing and organised opposition in wool's policy councils to argue for caution.

I cannot unreservedly accept Massy's view that the IWS model of collectively funded wool promotion has 'failed' and that it should be replaced by a 'private' system based around brand advertising in which individual woolgrowers forge private connections through the supply chain. There must be scale economies in a private system, so I doubt it will suit all woolgrowers. Furthermore, I suspect that the 'wool' message in Massy's preferred model will be diluted by a more significant 'brand' message compared with the collective model. However, there were plenty of rorts in the IWS model, not least of which were the questionable statistics coming out of IWS and the fact that, when they eventually did come, warnings of a drop in demand were withheld from Australian decision makers. Of course, with a private system, the AWC could not have even contemplated its foolhardy attempts to divert the IWS promotion effort – necessarily a long-run activity – to its short-term price stabilisation efforts through the RPS.

Finally, the book raises questions about ethics, especially in relation to the appropriate behaviour of policy advisors – to whom are they ultimately responsible and should they ever allow politics to guide their technical professional advice? If ever there was any doubt, Massy's account makes it clear that technical economic advice should be kept well away from politics.

This book is easy to read, informative and raises many more issues than can be covered here – both in terms of what it says and detail it omits. To me, it even suggests a new area in economics – the 'economics of personalities'. I thoroughly recommend the book.

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