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## Comment 1 on ‘Agricultural Markets and Marketing Policies’ by Griffith and Watson

Brian D. Wright<sup>†</sup>

Griffith and Watson present a well-orchestrated requiem for public interventions in the marketing of agricultural products in Australia, including a eulogy for the contributions of agricultural economists to the demise of many of the most important. It is to the credit of Australian agricultural economists, journalists and politicians that Australians have not appealed to risk market failures to justify massive transfers from taxpayers to agriculture, as is now occurring in the United States under the guise of subsidised crop insurance.

After tariffs on manufactures had doubled between the end of World War I and 1927, Prime Minister Bruce commissioned a council of five to write *The Australian Tariff: an Economic Enquiry*, commonly known as the ‘Brigden Report’ (Brigden *et al.* 1929). The report concluded that under protection Australia was able to support 230,000 more people at the same total income. Even then, Australian economists understood that large producers of exported crops and livestock paid a price for tariff protection, and their efforts had an indirect effect on the development of the Stolper-Samuelson theorem (Samuelson 1987; p.241).

Australian policy in the 1920s was designed to ensure that it did not become a country of primary producers, with a landed ruling class employing a low-income underclass. Soldier settlement after World War II might have been unwise in its selection of inadequate farm sizes, but price discrimination in favour of small farms as well as manufactures arguably reinforced the movement away from domination by a privileged rural elite, now widely viewed as a curse of some major resource-dependent economies.

Griffith and Watson rightly identify the Reserve Price Scheme for wool as a major policy failure. In the 1960s, supporters had a respectable case for a floor price scheme, backed by Crawford and others with appeal to authorities such as Keynes, although subsequent research shows that even if free market prices are stationary, such schemes will eventually become insolvent. The 1964 case for the opposition by Duloy and Parish (1964) stands the test of time, a credit to the Department of Agricultural Economics at the University of New England at that time. That department and its contributions are in turn a credit to Crawford, who designed it as a supplier of intellectual capital to the Bureau of Agricultural Economics, a source of independent policy

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analysis protected longer than its US counterpart from undue political influence, and wisely put Jack Lewis at the helm.

In the last years of the 1980s, things had changed. I made plenary addresses to two successive annual meetings describing how and why (if not exactly when) the RPS would fail. All seemed to understand, but there was no public communication between our profession, taxpayers and producers who had yet to realise the terrible price they would pay. At the time, it seemed inappropriate for me, a long time expatriate, to go public on this. I was wrong. Increasing politicisation of ABARE and the dominant role of the Wool Corporation in funding relevant research were apparently effective in preventing the Australian agricultural economics profession in general from publicly articulating a timely critical evaluation of the RPS that could have repaid many times over the public investment that was the basis of its excellence.

Nevertheless, the public investment in development of the Australian agricultural economics profession did pay off handsomely in other ways. Several cohorts of well-trained Australian agricultural economists who cut their teeth on problems of agricultural market deregulation were intellectual leaders in reform of industrial policies.

Universal deregulation should not mean the ‘end of history’ for agricultural economics. For example, an oligopoly in Australian food retailing might not be important for large agricultural exporters, but its consequences for domestic consumers should be subject to careful microeconomic analysis, looking at distribution as well as efficiency of allocations, in the Brigden tradition. (I understand that one ongoing study of a French merger producing such an oligopoly suggests it might have caused a five per cent markup on average prices.)

Our profession is well prepared to address this issue and other important economic challenges. It is at its most useful to society (and, in the long run, to agricultural and resource industries) when relevant data are in the public domain, and the economists who do the analysis are as independent as possible from pressures from special interests.

## References

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