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Comment 1 on ‘Agricultural Adjustment’ by Edwards and Bates

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While recognising that agricultural adjustment can be defined more broadly to include rural people other than farmers, the authors of this paper focus on the farming component of the agricultural sector (i.e. on-farm adjustment).

The authors argue that the profession made modest but important positive contributions to the development of farm adjustment policies, especially in the first half of the last 60 years. Significant professional contributions were made:

- (i) to improving the level of understanding among actors in this policy space of *both* the causes of the pressure for farm adjustment *and* the opportunities to ameliorate these pressures; and
- (ii) to analysing both the equity and efficiency issues associated with policy options designed to address farm adjustment problems.

The paper is a ‘walk down memory lane’ outlining what has happened in the field of agricultural/farm adjustment over the last 60 years. Mention is made of developments in New Zealand but the emphasis is on Australia, especially the first thirty years. The reader catches sight of old chestnuts such as ‘closer settlement’, ‘home maintenance areas’ and ‘balance of payments difficulties under fixed exchange rates’.

Looking back five or six decades, the current generation of agricultural economists will find it difficult to appreciate the fervour with which the merits of these ideas were argued about at the time, even within the agricultural economics profession! In fact, they may even question the extent to which the authors dwell on these ‘policy antiques’.

Perhaps, the authors could have put these 1950s and 1960s debates into greater historical context and hence justified their detailed treatment in the paper. Back then, the social and political milieu, especially in relation to agricultural policy issues, reflected the challenges the rural sectors of Australia and New Zealand had faced through two World Wars and the Great Depression. Without this historical background, many of the post-WWII agricultural policies in Australia and New Zealand *are* hard to understand.

Of course, the period 1945 to the mid-1970s saw enormous social and economic changes in the broader Australian community which gradually

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became reflected in agricultural policy debates. An example of profound significance was the way 'Black Jack' McEwen and his 'Protection all-round' mantra gradually lost community and hence political support.

The authors emphasise that many agricultural economists argued at the time – and subsequently – that policies put in place in the 1920s and 1930s and which were broadened and extended under the 'Protection all-round' mantra in the 1950s and 1960s: delayed – and ultimately intensified – the need for agricultural adjustment in Australia in the 1970s. Similar historical, social and political attitudes created the need for the dramatic changes of direction and the policy watershed that NZ experienced in 1984.

The authors highlight the critical role that the 1974 Green Paper played in crystallising the changing attitudes about rural adjustment in Australia: gradually among commentators and rural industry leaders and, ultimately, among politicians. They quote a critical sentence from the 1974 Green Paper '... where in the past, production expansion was rightly, for various reasons the critical objective, the aim should now be to enable the sector to adjust effectively to market needs and opportunities'.

The agricultural sectors of Australia and NZ have certainly moved on over the 40 years since this sentence was written, making substantial and sometimes surprising adjustments 'to market needs and opportunities'.

The authors point out that, in New Zealand, economywide policies played a major role in cushioning the impact on farmers of the major changes in rural policies in the mid-1980s. However, they present little evidence that government Rural Adjustment Schemes implemented in Australia since the 1970s have contributed much to farm adjustment.

While Bates and Edwards demonstrate that the profession contributed to the debates and had a modest impact on what was done by governments about agricultural/farm adjustment in the first half of the last 60 years, they have found it harder to argue that the profession has had even a modest impact on the agricultural adjustment that has occurred in the last 30 years.

This reviewer would argue that the remarkable degree of agricultural sector adjustment that has occurred in both countries, especially over the last three decades, has been driven primarily by economywide macro-economic factors; the opening up of new and unexpected markets; and changes in the structure of farming made possible by the passage of time and intergenerational transfers.