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*Editorial.***PRIMARY PRODUCTION AND THE AUSTRALIAN ECONOMY.**

The value of Australian exports has reached record heights. It is now over £400 million per annum, compared with less than £150 million before the war. The increase has not been due to any expansion in export production, for this has barely reached pre-war levels, but is the direct result of the higher prices obtained, which have risen by about 75 per cent. even since 1945-46. Figures published by the Commonwealth Statistician show that for the five months ended November, 1948, the total value of exports amounted to £213,919,000. Of this total, wool exports comprised £76,137,000, wheat and flour £47,773,000. Wool, wheat and flour together amounted to more than 70 per cent. of the total value of exports. For the same period Australia achieved a favourable trade balance of £45,772,000, compared with an unfavourable balance of £4,774,000 in the corresponding period of the previous year.

This record export income has been unexpected and considerably exceeds all prior estimates. It is now being questioned whether its effects have been healthy in causing "one of the greatest inflationary movements in Australian history." The income has been obtained too easily, not by an increased, expanded or improved production, which would have been a healthy development, but simply because Australian exports have struck the top of a seller's market. In consequence there is considerable internal instability with labour, industry, prices, costs and wages, and consumer goods and capital equipment are seriously short supplied to cope with the magnified demand. Even the producers benefiting from this export price spiral are in difficulties, for the record money incomes received are not easily convertible into property improvements. Materials and labour are both scarce and taxation besides takes a good deal also.

What are the solutions offered? These are manifold. There are calls for increased production in selected industries that are vital to permanent prosperity and a rising standard of living, and for a slackening of industries producing luxury and less vitally needed goods. There is the paramount need of increased population as a necessary preliminary to the maintenance of full production in existing industries, the establishment of new industries and the introduction of new capital for investment, but it is clear that since natural increase is slow, if not stagnant, immigration must fill the gap. There must also be peace in industry, for otherwise the whole industrial machine is dislocated. All these are obvious, but what, if anything, is to be done to control the inflationary effects of the record export income? It is here that opinions differ and real problems arise. There is a scheme for wheat stabilisation which will involve the taxing of exports and the freezing of a portion of export income, but this has been accepted by producers to insure against a precipitate fall in wheat export prices within the next few years. It is not a specific design to guard against inflation, though it will assist. But what of the other primary industries, including wool, and their contributions to export income?

Professor D. B. Copland,* in a recent book and other writings, questions, "How much more confident would we be of our ability to meet the difficulties of the future when export prices fall, if we had taken appropriate measures over the past two years to freeze the level of export incomes against the inflation that has taken place because of high export prices." "The answer no doubt," he continues, "is that it would have been politically a difficult course to pursue, but there was never a case in the strategy of economic planning that could have been argued with more eloquence or conviction than that the ultimate interests of those immediately affected would have been best served by following a path of prudence. In no field of economics conditioned by the Australian environment could analysis have so clearly pointed the direction that policy should have followed."

There is here raised an unexpected and peculiarly difficult post-war problem which it is safe to say is already occupying the attention of governments and their economic and administrative advisers.

* D. B. Copland: "Back to Earth in Economics: Australia, 1948," and *The Economic Record*, vol. XXIV, No. 47, pp. 191-203.