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BOOK NOTES

Economic and Technical Problems of Australia's Rural Industries, D. B. Williams. Melbourne: Melbourne University Press, 1957. Pp. xii, 146. 27s. 6d.

This book presents an extremely wide survey of the factors which have influenced the development of Australia's agriculture, particularly in the post-war years. The author outlines the many problems, whether they be of marketing, finance, government policy or lack of it, shortage of materials, etc. which have bedevilled the rural community in that period.

The student or general reader who wishes for an up-to-date picture of the importance and problems of rural industry in this country will find it here. This is a readable and valuable account of such factors as land tenure, war service land settlement, marketing schemes, technical and scientific contributions, export opportunities and general government policy which have all played a part in producing the present pattern of agriculture.

Inevitably where so much has been packed into a limited space for a wide audience, depth of analysis has taken second place to width of cover.

For instance, in discussing current policy issues (p. 118), Dr. Williams says—

“Assuming that exports must be expanded, we have the problem, on the one hand, of keeping internal costs down and achieving any desirable shifts as between industries, and, on the other hand, of expanding our external and overseas markets. And to those who hesitate to support an expansion of rural production for fear of forcing prices of the products down, the answer can only be that we must rely on an expansion of world markets as population increases and as real incomes rise. as well as on our capacity to alter our pattern of rural production should a significant long term change in demand for a particular commodity occur. Above all, we should not let our confidence be undermined by world price movements which are influenced by production encouraged by subsidies and price supports in overseas countries. Any assessment of the competitive position of our export industries should place in proper perspective all of the factors affecting current market prices and the likelihood of these factors becoming a permanent influence on our overseas markets”.

This passage is open to a number of comments. Firstly, our marketing problem is certainly not confined to the possibility of “forcing prices down”. With the exception of wool, Australia's share of world markets is such that any extra output is unlikely to greatly affect world price levels. Secondly, his implicit assumption that subsidies and price supports are transient should have been explicit and supported by argument. Many people hold the opinion that subsidies in overseas countries are here to stay and that as such they amount to “a significant long term change”. To these readers, the advice to not “let our confidence be undermined by . . . subsidies . . .” following on the statement that “we should alter our pattern of rural production should a significant long term change . . . occur” will seem confusing, to say the least.

Thirdly, assuming the need for a rise in export income, it seems highly improbable that there will be any but a slow and unspectacular rise in food consumption in our traditional markets. *i.e.*, the United Kingdom, due

to the growth of population and a rise in real incomes. In view of this, and the large surpluses of food existing in some countries, any extra supplies to this area may well cause problems of disposal. But Dr. Williams does not enter into any detailed discussion of the possibilities that exist in this, or any other areas, for sales of our primary products.

On a number of occasions, sufficiently frequent to be a source of irritation, there are conflicting statements. For instance, in the introduction (p. 5), Dr. Williams says "There are *no critical problems of land tenure* such as exist in countries where land reform programmes have played an important part in recent years, and no problems of farm size on the scale experienced elsewhere. The major deficiencies—though not all will agree with the diagnosis given in this book—are in the provision of rural credit, and in the advisory and extension services to farmers; *land tenure is a critical factor* in some regions . . ." (reviewer's italics). It is possible to see what is meant, but whilst a comparison of the poor with the worst will seem good, this may not be the relevant scale to use. In view of the data quoted later (p. 24) showing that 20 per cent of rural holdings are less than 50 acres and that 15 per cent of rural holdings are worked part-time it may seem that, for our conditions, there is quite a sizeable small farm problem.

Another example is the statement that "there are no depressed areas" (in agriculture). The author later comments on the serious problem of under-employment in the dairying industry, and many people closely associated with dairying could quote examples of depressed areas in a number of Australian states.

One chapter is concerned with taxation measures. Few will disagree with the author's analysis of the effect of allowances such as those for clearing, pasture improvement, etc., but many would dispute the emphasis given to the special depreciation allowances. Such emphasis encourages ill-informed criticism that agriculture is being unduly pampered by tax concessions. In the early 1950's a large backlog of demand for capital investment on farms had been created due to lack of finance during the depression, inability to invest over the war years, debt repayment with the first rise in post-war income (factors scarcely mentioned by Dr. Williams) and by severe shortages of plant and materials in the post-war period. When there was a rapid rise in income available for investment expenditure, and soon after a considerable easing of the material supply position, it seems unlikely that the special allowances had much effect, compared with that of the backlog of demand, in creating the large up-swing in investment expenditure. In any case it is for those who say it did to provide data proving their point, and this is not done here.

Further, Dr. Williams states that these allowances are of most benefit to those with high incomes but shows only 12 per cent of farmers with incomes over £3,000 (although partnerships and companies are excluded and they would be expected to have higher than average incomes). One of his examples is of a farmer with a taxable income of £3,200 in 1954-55, saving £81 10s. by purchasing a £1,000 machine. Prior to the special allowances he would have saved £41 5s. in tax. So the net gain is only £41 5s.; a small saving for an expenditure of 30 per cent of income. Also, whilst there is £41 5s. more available for investment only a part of it will be so spent, so that the total effect of these allowances would seem to be fairly small.

The saving compared with the old allowance is much greater in the case of buildings, but as the up-swing there occurred before the special allowances were introduced it may be that the need to provide decent accommodation at a time of severe labour shortage was the dominant factor.

The shallowness of the analysis is most felt when the solutions to some of the problems are presented. The reader is frustrated when, following a seemingly excellent solution, there is little discussion of the necessary changes in institutions, or even of the likelihood or practicability of such changes being made.

The author considers that rural credit is one of the major problems and that an excellent case can be developed for making credit more readily available. There is little comment on how this could be done or on the means by which it could be ensured that those most in need of credit would get it. Many farm surveys have shown that even well established credit-worthy farmers are often extremely reluctant to borrow for developmental work. The author refers to this stating that some farmers prefer to use hire purchase because the whole farm asset is not endangered and that concessional interest rates may not be of much influence. However it may be that the greater problem is that of restoring general confidence in borrowing as a means of financing farm improvement, rather than that of releasing credit.

In making his plea for the movement of more resources into agriculture the author stresses the high marginal productivity of resources in rural industry, and also its strong competitive position in a number of world markets. He also points out the need to consider the effect of general economic measures on rural industries, especially wheat and wool which contribute so largely to our export income. Dr. Williams considers that agriculture must bear the brunt of increasing our export income as our population and requirements for imports increase. He also suggests that our highly protected secondary industry will not be of much assistance in this field, at least in the immediate future.

In all, this book provides an up-to-date comprehensive cover of the physical and economic factors shaping agriculture and of the challenge confronting the industry at the present time. As such it creditably fills an important gap. The reader who seeks a detailed insight into the solution of the problems in terms of the necessary changes in institutions will not find it here, though perhaps this is too much to expect of a book of this size.