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A REJOINDER ON THE PROMOTION OF WOOL-BLENDS

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Messrs Lewis and Bereza [3] feel that I am trying in my recent article [4] to provide I.W.S. with a workable decision calculus on wool promotion. I would make no such claim. Indeed, in common with Augustin Cournot, I believe that "there is an immense step in passing from theory to governmental applications . . . and if this essay is of any practical value, it will be chiefly in making clear how far we are from being able to solve, with full knowledge of the case, a multitude of questions which are boldly decided every day". [2, p. 5]. I am sceptical about the practical value of my theoretical speculations.

Unfortunately, my article also appears to have given the impression that I.W.S. is inactive in blends promotion. I had not intended to convey this. However, at the time that the article was originally written (February, 1976) the main emphasis of I.W.S. appeared to be on the promotion of pure wool rather than blends. I did not have any inside or other information about the review of I.W.S. policy in April 1976, mentioned by Lewis and Bereza, both members of the I.W.S. Moreover, even after this review, the Australian Wool Corporation, *Interim Annual Report 1975-76* stated: "The thorough review of Woolmark and Woolblendmark programmes has reinforced the view that there is no case for swinging the major part of I.W.S.'s promotional effort behind blends. What has emerged, however, is a somewhat more flexible policy, with built-in safeguards. This will strengthen the hand of I.W.S. in its effort to expand markets for wool" [1, p. 21].

Nothing in my recent paper proves that the current or past policies of I.W.S. are or are not optimal from the point of view of woolgrowers. It is true that the wool industry *may* make losses in certain circumstances by promoting blends and that there are unscrupulous individuals who might hope to profit from the wool industry by such a policy. No one denies the need to be wary, least of all myself.

Lewis and Bereza claim that I claim that the promotional transformation function will *typically* be convex from above, that is concave in normal mathematical usage. But this is a misunderstanding. My article [4] lists this as one *theoretical* possibility. Corner-point solutions and a convex sales possibility frontier are mentioned as other *theoretical* possibilities. I say, using the normal mathematical terms, "In the event that the sales possibility frontier is strictly convex rather than concave (*i.e.*, sales of any and every blend increase at a growing rate with increased promotion of the blend), the optimal strategy for the wool industry is to promote one selected blend, which might be but need not be pure wool". It could very well be, as Lewis and Bereza claim, that this is the typical situation. It is one which my theory has *not* dismissed.

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As Lewis and Bereza contend in their comment [3], the likely outcome of a game depends upon the nature of the pay-off matrix. I took a set of payoffs of a prisoners' dilemma type to illustrate a particular possibility in my article. To show that there are other possibilities, the existence of which I do not deny, is not to prove that my case is irrelevant. It can also be claimed that the alternatives which Lewis and Bereza see as equally plausible to the possibility suggested by me are based "upon a number of unsubstantiated assumptions regarding the trade-off between promotion of blends and pure synthetics".

I considered my article to be a basis only for further enquiry. I would be happy if my initial curiosity (theoretical and an immense step away from governmental application) stimulated further research in this area and made our bold decision-makers a little less sure of their facts.

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