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*EDITORIAL.*

## LONG-TERM AGRICULTURAL DEVELOPMENT.

National development on the scale contemplated in Australia necessarily requires conscious planning and direction. Careful blueprints and estimates have been prepared covering the expansion of manufacturing plants, the introduction of new industrial processes and the building of large-scale public works.

There are some broader aspects of the developmental programme which have received little public attention as yet. One issue of immediate concern is the question of the economic strains imposed by a programme of the dimensions proposed—whether such a programme can be carried through without substantial modification due to physical shortages and public resistance to reduction of living standards, on the one hand, and without considerably enhancing the current inflationary trend on the other.

However, there are other questions of a more fundamental and long-term nature which strike at the basis of the whole programme. One is the relative emphasis to be given to agriculture and industry in the Australian economy of the future.

When Australia first embarked on a tariff policy designed to develop secondary industry in the ninteen-twenties, an investigation of the economic aspects of the programme was carried out. The report issued by the investigating committee was such as to suggest that the programme was socially desirable. Since that time, protectionist attitudes have received fillips as a result of the impact of events like the depression of the 'thirties and the war and post-war defence programmes of the 'forties.

The experience of the depression years gave rise to the notion that the agricultural industries were to be regarded as the main source of economic instability in the Australian economy, rather than as the most important source of national wealth. Agricultural policies which have emerged since the end of World War II have been primarily concerned with stabilising various industries. Such industries have received little incentive to expand output. Moreover, agricultural manpower and equipment have been in short supply. Statistics recently released reveal that only 7.4 per cent. of the 50,000 male displaced persons working under contract at 31st July, 1950, were employed in rural industries.

Certain of the important variables in the national economy have changed profoundly in the last decade and there is every indication that a new economic epoch has arrived. The question arises as to whether these changes in economic outlook do not warrant some modification of policies established twenty years ago. For instance, Colin Clark, as early as 1942, estimated that the world price of primary products in 1960, relative to the price of manufactured goods and services would be 70 per cent. higher than in the base period 1925-1934. Clark claims that later data now available confirm this prediction and further indicate that between 1960 and 1970 a further slight rise in the relative prices of farm products can be expected. On the basis of

these and other considerations, Clark, in a recent paper read before the United Nations Scientific Conference on the Conservation and Utilization of Resources, was lead to comment as follows:

> The . . . policies pursued by Argentina, Australia and some other food-exporting countries, are unjustifiable either from the point of view of the country concerned, or of the world as a whole. These are the policies of accelerating industrialisation, though there is no pressure of population on the land to justify it, but rather the reverse; and at the same time taking steps by artificial means to provide that their own consumers obtain food at substantially below world prices. These policies have the effect of discouraging agriculture by reducing supplies on the world market by encouraging their own people to eat more heartily than the world price would justify, while in turn these countries obtain a number of industries which are grossly uneconomic and quite unable to compete with the rest of the world.

It would be inadvisable to accept Clark's figures unreservedly. But even assuming that the prospective improvement in the terms of trade were only of the order of 50 per cent., it would appear to be time for a thorough reappraisal of the place which agriculture, in particular, should occupy in the national economy.

Statements on agricultural development, published to date, have gone little further than calculating for each product the increased production which will be required to furnish enough food for expected increases in population and maintain exports at the existing level. Some writers have taken an even more negative approach by warning, for instance, that there will be no exportable surplus of butter by the year 1960, or suggesting the necessity of importing basic foods. These devices are a popular way of illustrating the effect of population increase on domestic consumption but, of course, such calculations could not become the basis of plans for agricultural development.

There is no reason to assume that the consumption pattern developed in recent years under the influence of price controls, rationing and subsidies is a clear guide to consumption in the years to come. Nor is there any justification for believing that it is in the national interest merely to maintain exports of primary products at existing levels. The demand for imports arising from developmental needs and inflationary influences may be such as to necessitate a substantial rise in overseas income from primary products in order to pay for such imports. Even taking into account expansion in the next decade, mining and secondary industries are unlikely to become significant earners of overseas funds in the foreseeable future.

Thus there would appear to be an urgent need for an overall evaluation of the place of primary production in the Australian economy of the future. Such a survey should be based on an objective appraisal of current world economic trends and not linked to historical bases. It should involve, *inter alia*, a detailed economic examination of the losses to Australia, in terms of reduced living standards, which come from following (especially in the face of the indicated significant change in the terms of trade) policies which have been accepted up to date.

Only with such information can sound decisions be made as to the development of primary and secondary industry which give weight to non-economic factors. Defence considerations, for instance, have assumed paramount importance in the last decade and seem destined to do so in the immediate future. But, even so, more precise information is necessary as to the costs of pursuing policies which foster industry at the expense of agriculture in the present world economic situation.