

50th Anniversary of Agricultural and Resource Economics Society¹

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Thank you for the invitation to join you this evening.

It comes as something of a shock to be invited to attend an organisation's 50th Anniversary and be reminded that you were at the first meeting fifty years earlier. It is a little like someone offering you their seat in a bus or train. You start to feel your age.

There is a tendency for nostalgia to set in, prompting memories of what was happening in 1956.

As most of you will recall, that was the year in which Melbourne hosted the Olympic Games, producing gold medallists like Dawn Fraser, Betty Cuthbert and Murray Rose. Australia won a total of 13 gold medals.

It was also the year that saw TV introduced into Australia, Dwight Eisenhower was re-elected as President of the United States, Elvis Presley was at his peak, and the Cuban Revolution began.

Among the births that year were Mel Gibson, Steve Vizard and Bo Derek. But I am not sure these new arrivals made up for the losses.

¹ After-dinner Address at 50th Annual Conference of Agricultural and Resource Economics Society, Pacific Hotel, Manly; 8 February 2006

Among the deaths were band leader, Tommy Dorsey, A.A.Milne, of *Winnie the Pooh* fame, and Jackson Pollock the painter of *Blue Poles*, which was to become something of a *cause celebre* here twenty years later.

Our Prime Minister was Bob Menzies; his Treasurer was Arthur Fadden; Jack McEwen was Minister for Trade (both these were Country Party members) and a young Billy McMahon was Minister for Primary Industry.

Ten years were to pass before the introduction of decimal currency. We still had pounds, shillings and pence. Bread was 7 pence a loaf; a newspaper was twopence and a new Holden car cost one thousand pounds.

The Australian population was 9.5 million. I married Moya and the Agricultural Economics Society held its first meeting.

When I look through the list of attendees at that first meeting, there are many more nostalgic reminders.

I recall being involved in an Economic Survey of the Yass Valley with Roy Spinks from the NSW Department, Rod Harry from the Commonwealth Bank and Alf Gurnett Smith from CSIRO. Apart from the survey itself, we experienced severe bush fires and a rather nasty car smash. I was the driver but, happily, I walked away with just some bruises, as did Roy Spinks my passenger.

The car was a total write-off, much to the disgust of the Commonwealth Bank Stores Department, whose car it was.

Unfortunately, Roy isn't here tonight. His health has been very poor for a few years. Our paths crossed quite a few times over the years, when we were both in Papua New Guinea and, later, when he was with FAO in Rome

In the mid-1950s, in Australia, agricultural economics was in its infancy as a study, let alone a discipline. But the relations among the practitioners were quite close. Among others, there was Keith Campbell, a very new professor at Sydney University, Henry Schapper and Roger Mauldon in Perth; Frank Jarrett in Adelaide; Peter Druce and his rather remarkable team at the NSW Department of Agriculture; and Tom Strong, Doug McKay and their people at the Bureau of Agricultural Economics in Canberra. Then there was Cec Dowsett at the Rural Bank and our group from the Rural Liaison Service at the Commonwealth Bank.

And therein lies a story.

Fifty years ago, there was no Reserve Bank. The Commonwealth Bank was central bank, development bank, trading bank and savings bank. Its rural lending activities were controlled either by the Rural Section of Inspectors Department or the Mortgage Bank and Rural Credits Department. The latter financed the multitude of rural co-operatives and marketing boards which controlled the sale of Australian produce in those days.

In the early 1950's, the Bank established a small group of economists, under the leadership of the late Alan McIntyre, to provide an advisory service to those lending departments. In 1953, I became one of that team.

Our Governor in those days was H.C. “Nugget” Coombs, and he was very friendly with Sir Ian Clunies Ross, the Chairman of the CSIRO. They and, I suspect, Sir John Crawford, another close friend, formed the view that the banks generally were struggling to keep up with developments in rural industry and finding it difficult to develop sensible lending guidelines.

So, they thought, how about we set up a service for all the banks to look at the economics of new agricultural techniques, help bank managers to understand them and, in this way, help to establish some discipline in credit standards and, at the same time, improve the efficiency of rural production and exports.

Our group, which until then had been part of the trading bank, was transferred *holus bolus* to the central banking division of the Commonwealth Bank, as part of the Economics Department, under the general oversight of the late Ira Butler, a character in his own right and a well credentialed orchid grower.

To divert, when I was working in Papua New Guinea, Ira came to pay a visit and I took him to the botanical gardens in Lae, where they had a magnificent orchid collection.

We were being shown around by the Curator and Ira stopped at a particular plant with a frown on his face and said: “I think this has been wrongly classified. It has the wrong name on it.”

The Curator was taken aback by this amateur and assured him they were very diligent and precise in their work. But Ira persisted and the Curator finally asked why he was so sure. Ira replied “Because I bred it!” And he had.

In any event, all members of the old Rural Liaison Service are listed among the attendees of that first meeting of the Agricultural Economics Society. Two of us are here tonight. The other is my old friend, Bob Thomas.

We did some interesting things – commodity surveys and statistical analyses; we wrote and issued a regular publication, something between a pamphlet and a journal, called “Rural Developments.” I recall being required to write articles on quite a range of subjects, from the rabbit plague to the conservation of water in farm dams.

We also organized and ran conferences for country bank managers, from all banks, on new developments in farming. The faculty for the conferences comprised agronomists, economists, scientists of varying persuasions, and people active in the commercial side of rural industry.

Ron Prunster, previously of CSIRO, had joined our team by then and was the main coordinator of the conferences. They seemed to be very successful. Coombs himself was a regular attender as was Sir John Crawford. The first conference was at Armidale, on pasture improvement. Others I recall were at Albany, Toowoomba, Mount Gambier and Victor Harbour. I know I have forgotten a couple at least.

I should mention one other innovation which came out of the Coombs/Clunies Ross collaboration and predated the formation of the Society. To encourage the spread of pasture improvement, the Commonwealth Bank, in conjunction with Departmental agronomists, selected a number of trial properties, mostly on the Northern Tablelands. The farmer and the local agronomist would agree a farm management plan and the Commonwealth Bank would provide the finance. The loan would be serviced from the additional income generated. However, if the farmer followed the plan and it didn't work, the loan was not repayable.

I am not sure how many banks would sign up to such a scheme these days. It was a very different environment fifty years ago.

In some ways, Australia in those days was very far sighted as far as economic development projects were concerned. The Snowy Mountains Scheme was the best and biggest example but there were many more, some more successful than others.

But in other ways, the Nation was very insular.

We were, in most respects, a closely regulated economy.

Most of our rural produce was sold through a multitude of marketing boards and grower cooperatives. Queensland probably held the record for the greatest number. There were price equalization arrangements, sometimes subsidised, for quite a few crops. Producers were licensed and often told how much they could plant or produce.

We had a fixed exchange rate. Our pound was fixed to sterling. We were members of the sterling area and participants in the sterling guarantee arrangements, which called for us to keep our international reserves in sterling.

There were tariffs and quotas on virtually everything that came into the country, with goods from Commonwealth countries receiving preferential treatment.

Interest rates were strictly controlled as were the amounts which banks could lend. And pretty well all overseas transactions were subject to restrictive exchange controls.

As I said, Agricultural Economics was in its infancy in Australia. Resource economics was not a term I remember being used. The doyen of agricultural economics was probably Earl Heady at Iowa State University and a number of Australians travelled there to do their PhDs. Heady's book, *Economics of Agricultural Production and Resource Use*, was the major text. Linear programming was the new micro-economist's tool. Parametric budgeting was soon to be developed.

Australia was performing above its weight in developing the discipline. Keith Campbell, John Dillon, Alan Lloyd, Allison Kingsland, Ross Parish, Warren Musgrave, Jack Duloy, Fred Gruen, Roger Mauldon, to mention just a few, all made a mark on the international as well as the national stage.

My own direct involvement in agricultural economics lasted for only seven or eight years. In 1961, I became involved in another of Coombs' initiatives, the development of the financial and banking system in Papua New Guinea. That kept me busy for the next decade.

However, the grounding I received in those seven or eight years, from interactions and debates with others in the field, stood me in good stead in many of the other roles I subsequently played, and not just in the Reserve Bank. Even today, I find that experience quite useful from time to time.

For the past twenty five years, I have been closely involved with the financial system, both domestic and international, and it has often struck me that many of the innovations in financial services that came with the deregulation of the financial system, and which have led to such an explosion, not just in financial products, but also in the remuneration levels of financial operatives, were based on techniques developed originally by agricultural economists. I guess one should expect microeconomic inventions in one field to have relevance in others.

I won't try to pontificate on the position of agricultural and resource economics in today's Australia. That would be both arrogant and foolish, given the state of my knowledge of contemporary affairs. However, I would like to offer some thoughts on a vaguely related issue.

That is the current focus on microeconomics, particularly related to financial markets, and the dearth of good, experienced, macro-economists.

One of the consequences of financial deregulation, which I don't think we adequately foresaw, was the lure, financial and otherwise, of employment in those markets. At Universities, including my own, the emphasis is no longer on macro-economics, nor is the bulk of research in that area. After all, research tends to follow the availability of funding.

The result, it seems to me, is that public debate on macroeconomic topics has deteriorated. With one or two exceptions, "economic" journalists are actually financial journalists. When expectations arise that the Reserve Bank might change interest rates, for instance, the headlines are not about the impact on the economy; they are about the difference in monthly instalments on someone's housing loan.

And I don't remember the last time I saw any meaty debate on "fiscal policy".

When the Treasurer recently made reference to the Government's need to save because the private sector was not saving, the journalists' eyes glazed over. They were only interested in whether there would be a tax cut. Opposition spokesmen didn't canvass the savings issue; they just wanted to suggest other ways to spend the money.

Debate on fiscal policy seems to have become the private preserve of the Federal Treasury and I am not sure that is in the nation's best interests.

Perhaps it is simply nostalgia, but I think we would benefit from a better informed debate on macroeconomic policy, which suggests we need more practitioners committed to this field.

Another hobby horse of mine is the degree of government intervention in private and business activities these days, in the name of safety, corporate governance, competition, transparency, financial compliance, acquittance, etcetera, etcetera, etcetera, as the King of Siam reportedly said to Anna.

I cannot remember a time during my long career, certainly during the lifetime of this Society, when there has been as much intervention, either through regulations, guidelines, or reporting requirements, as there is now.

I say that from personal experienced in finance, energy, superannuation, mining, insurance and higher education.

I am often reminded of the old childhood rhyme that I regarded as a cautionary adage when I was a regulator:

*Great fleas have little fleas upon their backs to bite 'em;
And little fleas have lesser fleas, so on ad infinitum*

Regulators, I am afraid, have much in common with fleas and can be just as irritating.

But that is not a topic for this evening. You have had enough pontificating from me. As the old saying goes, *nostalgia ain't what it used to be!*

Thank you again for inviting me tonight and congratulations to the Society on its fiftieth anniversary. It is a delight to see that it is still fighting the good fight and, on the evidence of the agenda for this Conference, dealing with important contemporary issues.

It is also a delight to see some of my fellow survivors of the past half century.

It has been a fascinating fifty years. I am sure the next fifty will be equally challenging and exciting. I hope medical science will have advanced sufficiently to permit you to invite me back when you celebrate them.

Thank you, and Happy Birthday!