



A MODEST MEMBER

The Australian Financial Review, 2 June 1972

We've a duty to knock down the tariff wall

Although the tariff bandwagon now carries many trumpet blowers and although it is now generally admitted that our past policy of protecting everything that moved was wrong, yet the tariff wall does not come tumbling down as some people hoped.

Fred, in particular, is not pleased with me.

“Yes, I know you’ve made some quite nice speeches,” he growled, “but my fellow-farmers and I are still bearing the \$2,000 million burden that Eccles tells me about. What about a bit more action and a bit less eloquence?”

I can see what he means. It is not hard for Eccles to demonstrate that we have made many mistakes in our past protective policies.

Even I can see that now. But setting things right is not as easy as you may think.

If a factory is closed because of lowered tariffs and if some direct unemployment results, it is easy for the local MP to make poignant and powerful speeches on the subject.

But it is not easy to demonstrate that there may be an increase in employment in other factories because of the tariff reduction.

Eccles often uses the illustration of the plastics industry. There are about 10 times as many people employed in making plastic products than in making plastic powders.

But the employment prospects in the plastic products industry are very severely limited because of the high cost of the raw material, plastic powder, which is heavily protected and so made excessively dear.

It is not easy to demonstrate this kind of reaction. Economists can tell us that it will happen, but we may not be able to see it happening as we can see a factory with closed doors.

The difficulty is compounded by the attitude of TV stations.

Most commentators wouldn’t know what a tariff was, but they would eagerly grasp the opportunity to show a closed factory gate with disconsolate workmen outside.

This would perhaps be followed by a TV interview, with a glycerine tear or two squeezed out, and children without boots.

What hope would Eccles have of talking economic sense about the employment gained in other industries? You can’t show pictures of employment yet to be gained, as you can of people out of work.

So while our sentimental addiction to irresponsible and ignorant TV programs persists, we will have grave difficulties in lowering tariffs, even though the economy in general, and employment in particular, would greatly benefit thereby.

It is all very well for Eccles in his ivory tower to sling off at me because I cannot quickly lower at least the higher tariff barriers.

Most of us know, in theory, that we should, but in practice it isn't as easy as Eccles thinks.

It would help if the practice of a gradual reduction of tariff duties was more commonly followed. The Tariff Board has made some such recommendations, eg for malleable cast iron fittings and shirts.

This gives industry time to readjust, time to plan other uses for its investment. And it gives the men a chance to look for other employment that may be offered in other factories.

And there are some industries that have been directly or indirectly encouraged to start up by the State and Federal Governments.

Some State Governments have been particular sods in this respect, quite cheerfully lumbering the Australian economy with the burden of carrying uneconomic industry, as long as they got the kudos for opening a new factory.

If such an industry can demonstrate a good case, it might be better to ease it out of the economy now, rather than have to carry it on our backs for ever.

We could start with the artificial fibre industry which looks as if it will be an everlasting burden to the textile industry in particular and to the economy in general.

I guess we will never repeat the silly mistakes of the past, and encourage new industries with unduly lavish protection.

A more gradual approach to lowering tariffs may not satisfy Eccles in his ivory tower, or Fred on the farm.

But it might well turn out to be faster in the end than by rushing around knocking big holes in the tariff wall, and creating a lot of dust and noise and resistance.

But get the duties down in the end we must.