



A MODEST FARMER

The Bulletin, 20 January 1981

Protections that nobody needs

Away back in 1966 I made a powerful speech to an uninterested parliament saying that the decisions that the government was then making about our car industry would get the industry into a ripe old mess. I admit that Eccles helped me with the groundwork, but you didn't really need an economics degree to see that the lavish protection that the government was handing out would encourage the establishment of too many factories to make car components and cars. The result would be that these factories would not have a big enough throughput to be able to produce cheaply, so cars made under this system would always be expensive, and would have to be protected by a very high tariff wall.

I knew, too, that the tariff burden was paid for by the exporters in the end, because other sectors could pass the cost on to the next chap along the line until it came to the exporter, who was right at the end of the line and had no one to pass it to. And I knew that the tariff subsidy that the exporter was paying to protect the car industry was about \$400 million a year at that stage. I used to protest that my farmers not only had to pay for the tariff subsidy on their own cars, but also for the subsidy on city cars. This didn't seem fair.

So I used to give tongue about this in parliament, but, though it made me feel better, it didn't seem to improve matters much. Then I was made a member of the Automotive Industry Council, which was composed of really powerful people in the industry. These gentlemen were well aware that the root of their problem lay in the foolish government interventions of the past and that the only cure was the closing down of some of the redundant factories that were making car production so expensive. But they were cunning sods and every time they were about to be forced to take some of the nasty medicine that was so necessary for their health, they would run whimpering to the government who would give them protection instead. So the car industry got sicker and sicker and the cost of carrying it heavier, but we used to think that perhaps it was all worthwhile because of the employment that was being created.

However, we have now all been shocked to discover that employment in the industry has been doing down and not up. I suppose that Eccles and I are both to blame for not realising that, as the price of cars went up because they were so lavishly protected, so automatically the demand for cars would fall. Why we could not foresee this result I just cannot understand. Even before I was blessed with the wisdom that they issue to members of parliament, I knew that the surest way to limit the demand for something was to increase its price. Eccles dignifies this simple state of affairs by calling it the "Law of Supply and Demand," but why he did not tell me that increasing the price of cars would mean that less cars would be needed, so employment in making cars would fall, I will never know. The trouble with Eccles is that he can't say anything simply; he has to wrap up everything in great long words.

In its September report on cars, the IAC delicately picks its way past the bleached bones of government failures in chapter three, and, I hope, disposes for ever of the fond illusion that socialists and other foolish people cherish, that government know how to manage business affairs so as to create employment. I quote from its report: "Since 1973-74, employment in the

production of passenger vehicles and components has declined by 15 percent to 76,664 persons in 1978-79. Employment by motor dealers, petrol and tyre retailers is approximately twice that by vehicle and component manufacturers.” But because the number of cars being sold has not risen because of their increased price, employment in the servicing side of the industry has not risen either. So the government has made a proper mess of everything; they have forced consumers to pay a frighteningly high price for cars and have diminished employment in the industry as well. And they can make a mess like that without even trying!

Eccles has suggested, in his nasty, sneering, sarcastic way, that the only way the government can successfully create employment in the car industry is to take its courage in its hand and to rescind the law of supply and demand and to pass another law to force people to buy a new car, say, every other year. I think he was only trying to be funny in his arid way, but Fred got very upset because he is fearful that the government might take the suggestion seriously. He thinks that the only reason they have not done so is that the idea has not crossed their muddled minds!

On another subject; Mavis says we ought to have a tariff to protect us against overseas tennis players!