



A MODEST MEMBER

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Counting the cost of wool compensation

Last week Eccles was critical of the manner in which the dairy subsidy had affected the dairy industry.

He has asked me to emphasise that he was not critical of the industry, but of the effect of unwise (if popular) Government action to help it.

He then threatened that he would deal with the projected wool subsidy this week.

But before getting going on wool, he made a brief review of what he had previously told me about the effect of the wheat subsidy, how it had encouraged people to grow wheat with the world demand falling and that this insulation of the industry from the demand situation had the same serious effects for wheat as for butter.

“And now you want to do the same thing for wool,” he whined, “you ought to be ashamed of yourself.”

I replied that the projected plan I had heard about was not a subsidy plan but a “cost compensation plan.”

But Eccles just snorted at this excuse, which I admit was a bit lame.

I think we ought to think of it as a straight out subsidy and not try to make a silk purse out of a sow’s ear.

Eccles’ main complaint about this subsidy scheme was that it would inevitably do the same for wool as for wheat and butter.

It would insulate the industry from the world around it. If the world demand for wool dropped, the subsidy would rise; so production would keep up, with demand falling.

“This is the kiss of death for any industry,” he complained.

Then he went on to give some figures.

He pointed out that a subsidy of 5c a lb for wool would cost about \$100 million a year, and to offer the woolgrowers less than this would certainly not be either politically popular, nor indeed would it make much difference to the growers’ position.

He then said that 75 per cent of this \$100 million would go to 25 per cent of the growers and that there would be political problems if the grower of 1,000 bales of wool was going to get the same percentage subsidy as the man who grew 10 bales.

On the other hand, limiting the subsidy to the small grower would be economically silly because those of us in the industry know that one of the ways we may get out of our trouble is to produce more wool, in other words, to become larger growers.

Any limitation of the subsidy to small woolgrowers would be working in exactly the wrong direction.

Also I know my woolgrowers well enough to know that if only the smaller grower was to receive a subsidy then there would be an awful lot of “fixing” going on by dividing clips into two so as to get the subsidy.

The chap mooching along behind a slowly moving mob of sheep has a lot of time on his hands to devise methods of getting around regulations drawn up by harassed Civil servants!

Summing it all up, the theory behind the cost compensation scheme is that it is supposed to insulate the industry from increasing costs, while Eccles says that we should never do that but what we could do if we would is to do something about the costs.

While Eccles was unloading this long lecture I was getting angry. At last I could stand it no longer.

“Look here, Eccles,” I said, “I know you know more about economics than I do, I know you are probably right in theory, but I also know that I am getting into very hot water among the electorate. My farmers don’t want lectures about economic philosophy, they want help.”

That shook old Eccles a bit. Living in his ivory tower as he does, it is always a shock to him to find that there are lowly people like me who want to be popular.

He is inclined to think everything that is popular must automatically be wrong. Funny warped mind the man’s got!

But after he had digested my complaint for a while he said that he could think of a lot of things that he could do to really help the industry with \$100 million a year — things that would really help and not hurt.

I told him he had better trot them out next week and they had better be good