



A MODEST FARMER

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The importance of easing the fear and pain of change

Fred keeps nagging me because I do not write more often about the importance of exchange rate movements. He has become particularly interested in the subject since the recent Agricultural Outlook Conference where the importance of exchange rate movements was emphasised.

Eccles says that our exchange rate, now that it moves more freely with supply and demand pressures, acts to keep the value of our imports and exports in balance.

He also says that there is only one way of being paid for exports and that is by imports. This is an economic law like the law of supply and demand.

You may not like such laws but you have to obey them in the end, if you want to or not.

Because exchange rate movements act to keep imports in balance, it follows that any government actions such as erecting tariff or quota barriers, which make it harder for imports to come in, also make it more difficult for exports to go out.

It was Dr Gregory who first brought this to Eccles' notice during the mining boom in the early 1970s. When mineral exports expanded as they did then, imports just had to expand to pay for them.

This is why the Labor Government cut tariffs by 25 per cent, to encourage the imports that had to come in to pay for these mineral exports.

The exchange rate was moved up at the same time, again to encourage the necessary imports.

Perhaps it may have been better to have left the whole burden of increasing imports to fall on exchange rate movements.

These would have increased imports in the end anyway and without all the argument that was associated with the 25 per cent tariff cut.

But be that as it may, the important thing is to realise that then, as mineral exports expanded, other exports, even rural exports, had to contract, or imports had to increase.

Then in November last year, Mr John Stone, the Secretary of the Treasury, with crystal clear logic, spelt out the lesson yet again.

He recognised that, because of the impending world energy shortage, and because of our great reserves of coal and uranium, Australia is teetering on the edge of an explosion in mining and energy exports.

And if we successfully grasped this opportunity, we would either have to contract other exports or else encourage imports.

He said that the preferred way would be to lower trade barriers so as to encourage these imports, but if the Government did not do this deliberately, the movements in the exchange rate would do it automatically.

Then at the Outlook Conference, Andy Stoeckel, a BAE officer, gave an excellent paper on the effect on agriculture of the energy crisis.

You should read the paper because it is packed full of facts, some of which you will not like.

In his talk he used a pregnant phrase which I wish I had had the wit to invent.

He said that, not only would our mineral exports increase to meet world demand, but we would also have a great natural advantage in producing electricity because of our great coal reserves.

So we should have a great opportunity to turn our very plentiful and cheap bauxite into aluminium and that we should regard aluminium as “congealed electricity.”

When you put the opportunity to export congealed electricity alongside the possibilities of expanding the export of other minerals, it does indeed look as if we are on the edge of an export boom. And if we are, then farmers as well as others should be warned about what is likely to happen.

There will be some who want to sit on the mining industry’s head to prevent it getting going to fill the world’s needs. They may think that they can stop the economic laws working as the textilers do.

But these people should realise that every barrier to the importation of orange juice, cheese, wine, brandy, lamb or any other primary product, will damage exporters in the same way as does the tariff on textiles.

It is clear then that there is going to be a great deal of activity in the bucket of worms which is the economy.

If we are to grasp the great opportunity to meet the world’s needs and to improve our standard of living at the same time, there will have to be great changes in a great many industries.

And change is always feared and resented by farmers even more than by others.

We must try to ease the pain of change but we must never try to stop it.

The economic laws will win in the end, no matter how poignant our pleas that change pass us by.