

Improved productive performance is a necessary, if insufficient, condition of not becoming a Banana Republic. The grand designs that can be included in Prime Ministerial statements, and of macro-economics - with or without 'Accords' - are relevant, but alone they will not save us.

Our problems are rooted in the micro economy. Our living standards are under threat and our debts hard to pay for so many different reasons that few of us can entirely escape responsibility. Union recalcitrance, slovenly management, trade barriers, regulations which prevent competition, excessive government expenditure and hence taxation, and unequal tax liabilities (for instance exempting gold and killing oil exploration) are all causes of poor economic performance. Although we all suffer from the over all effect of this bad government most of us benefit from one or more government favours. These favours are not economically (or morally) equivalent, but if pots, instead of devoting attention to the black on kettles, got their own bottoms scrubbed the kitchen might begin to shine again.

Most of the man-made barriers to economic recovery have this in common: they are privileges for some at the cost of others. The losses, which are usually spread thinly over many people, always in total exceed the gains, which are concentrated upon a few. The few fight tooth and nail to preserve the privileges.

A fair per centage of these little castles of privilege must be knocked over and the inhabitants will cry 'bloody murder' - like the gold miners did with apparent success. There are, fortunately, as many cures as there are causes of poor productivity.

Last week I looked at how the grain handling system was impoverishing farmers and indirectly the rest of us. Unless it should be thought that grain handlers are an exceptional case and that there are no other vulnerable bastions of privilege; more importantly lest we believe there are no other opportunities to make life better; let us glance at the fat lamb and the table grape industries.

In 1969 Western Australia suffered a rather nasty drought. When farmers tried to quit their stock the State run abattoirs could not cope with the kill. Lamb prices fell so low that many poorer animals, which could not pay freight, had their throats cut in the paddock. Moralists accused farmers of waste. It was all very unpleasant and the farmers, looking about for scapegoats, lighted upon the wholesale butcher/exporters. By 1972 the Primary Industry Association (PIA) had induced the government to all but abolish the independent butcher/exporter from the lamb trade. The regulators assured us the millennium was about to dawn for fat lamb farmers.

It has not! Recently a plaintive piece appeared in 'The Farmer's Weekly'. Under the headline "WA lamb producers' local sales decline", the PIA Meat Executive Officer, Mr Chidgzey, tells us that during the first nine months of 1985-86 West Australian lamb consumption had increased by 14.6 per cent but that the WA produced share of the market had declined from 426,000 carcasses to 292,000 carcasses. That is a mighty loss of market share to lamb carried by road, in freezers, 2500 kilometres, without any real likelihood of a back load. (In other countries such long hauls are usually done by rail and that is another story.)

Mr. Chidgzey is quoted saying, "In this highly competitive climate the Lamb Board has done an excellent job in maintaining prices." The statement is misleading without being false. The Lamb Board has indeed kept consumers' prices higher than it is reasonable to expect that they otherwise would have been, but not producers' prices.

These high butcher-shop prices opened up the opportunity for Eastern State producers and seem to have drastically reduced Perth housewives' taste for lamb. A study by McAulay, Powell and Wright of New England University estimated that a 10% increase in lamb prices would result in a 14% reduction in consumption. The Australian Meat and Livestock Corporation tell us that in 1984-85 Australians consumed 15.4 kg of lamb (about one carcass) per head. Western Australians eat only 8.0 kg. The WA Lamb Marketing Board was not born of a mutton, beef and pork producers' plot to increase market share at the expense of lamb: but Western Australian beef prices are the highest in Australia.

Certainly the board's policy has been no help to the lamb producer; not only is WA consumption apparently halved but WA farmers supply less than half of the remaining local consumption. Local sales are only one third of total WA production; the remaining two thirds being exported at much lower prices.

For a lamb graded 'M3' (which is a 15 kg prime quality carcass) the grower receives only 107c/kg but a local distributing butcher pays 194c/kg. The lamb board incurs killing costs of 39 cents. (These too are another story.) The remaining 48 cents subsidises low priced exports. From each grade of lamb about 50c/kg is required to cross subsidise export sales which average about 60 cents. This price would be below many producers' costs. The whole silly arrangement is just one way - a way that could be abandoned easily - by which we are becoming a Banana Republic.

Another way was shown to me by the Swan Valley table grape producers who are contemplating asking the State Government to compel all exporters to sell through a pool. They have had a voluntary pool since the sixties, but the bigger more efficient growers looked like abandoning it.

The voluntary export pool supplied an established market in South East Asia for that six months of each year when California

did not. In spite of the advantage of being there first, starting with the 1975-76 season, this Pool gave the market away - mostly to growers from the Sunrasia region. In that year the West Australian Pool's price was 158.5% of that of growers in other States and it remained higher until 1982-83.

It took the Sunrasia people a while to discover and believe their luck. Not hampered by any pool they enjoyed ruthless competing entrepreneurs each struggling for a market share. In that environment total sales expanded from around 1000 cases in the late seventies to 5500, but WA's sales fell from 400 cases to 275.

The points which I think come out of these stories are that the Australian economy is beset by crazy structures; that it is bad structures more than bad people which are at the core of our troubles; that better ways are known; and that many of the bad ways could be changed with just a modicum of common sense.