

## Rural Debt and Viability, Conference Summary

**Keywords:** *debt, free trade, viability, profitability*

### Overview

Any substantive analysis of agricultural policy and drought policy must consider

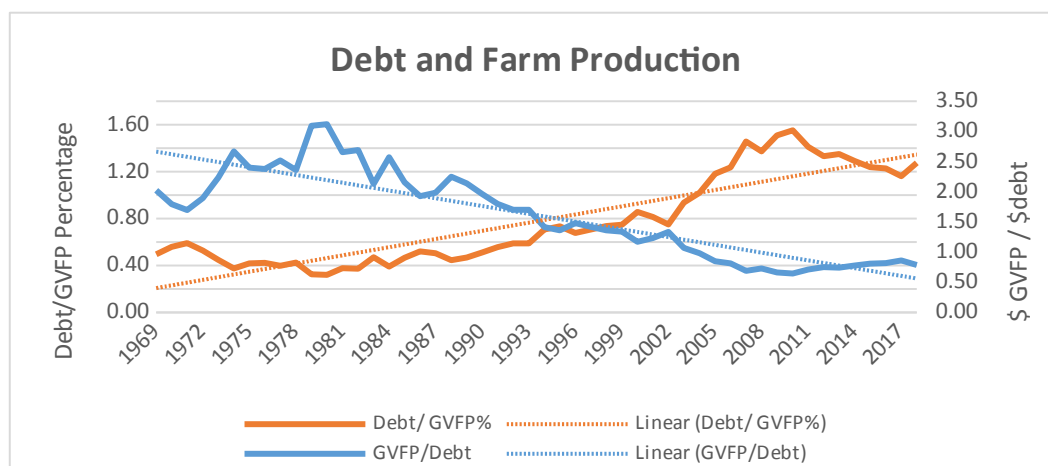
1. Policy.
2. Policy outcomes.
3. Suitability of policy for purpose.

#### 1. Policy

Following the collapse of the post- World War II fixed exchange rate system in 1971, Australia moved from Keynesian demand management policies to market theories of monetarism and neoclassical economics. In 1983, economic policy moved to embrace globalisation. Conditions facing farmers changed dramatically over time as agricultural policies changed to support the moving needs of integration in international markets. Since 1977, rural adjustment though has remained the underlying principle of agricultural policy<sup>i</sup>. Since 1993, farmer self-reliance and rural adjustment underwrote drought policy.

The principles of rural adjustment are pure supply side free market economics<sup>ii</sup>

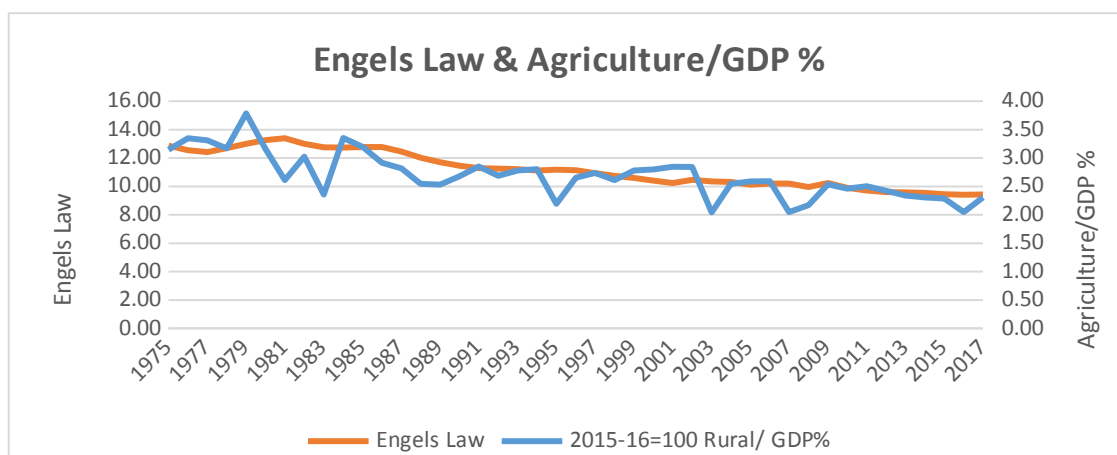
- No support for lame ducks
- Enterprise reaps rewards.



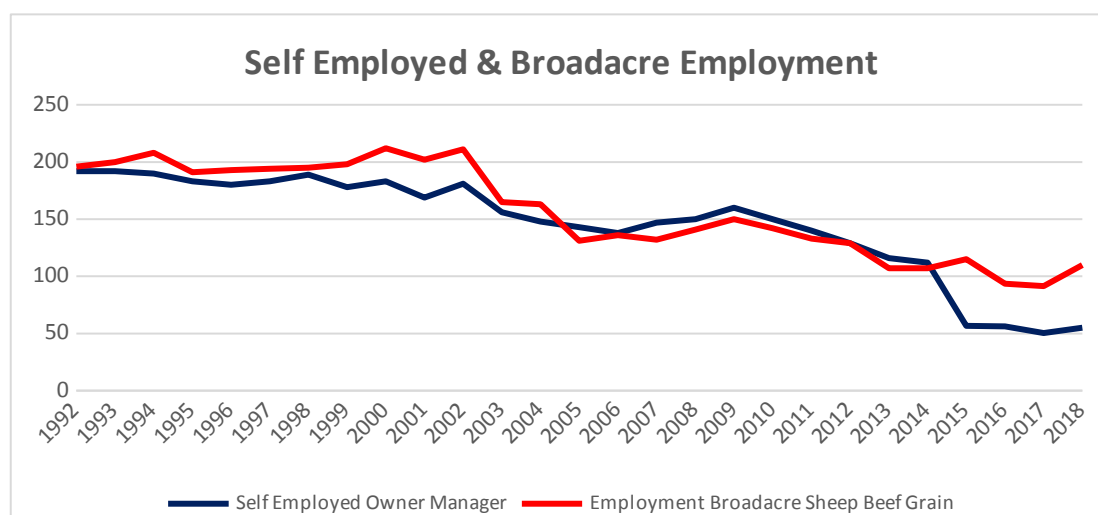
- From 1984, rural Australia has been in decline as debt relentlessly consumes production
- In 1989, \$1 debt produced \$2.14 in output. By 2003-04, \$1 of debt produced \$1 of output. In 2010, \$1 of debt produced 64 cents in production
- From 1993 to 2013, performance of the agricultural sector remained persistently below trend. The agricultural sector underperformed for twenty years
- The orange curve suggest that production has been made possible through increasing debt.

Any other sector would have demanded a change in policy direction, but agricultural leaders believed that by reducing the numbers of farmers, those remaining would do well. That approach was a gross violation of established economic knowledge.

**Engels Law** : “as income grows the demand for food grows less than proportionately ... This Law of pervasive importance in economic growth ... (explains) ... necessity of the political importance of farmers to decline”<sup>iii</sup>



## 2. Policy outcomes: Employment (Y axis thousands)



- Long-term decline in broadacre employment: 52% between 1992 -2018
- Self-employed fall 71.4% between 1992 to 2018 (192 000 to 55 000)
- Millennium Drought emerging 1997-2009
- GFC 2009- 2013
- 2013+ Current Drought.

## 3. Suitability of policy for purpose: Conclusions

Supply side economic market theories cannot reverse established economic knowledge that rural sectors decline over time in advanced mature economies. Agricultural and drought policy must be restructured to be relevant in a modern advanced economy to stabilise population, employment and social fabric in regional communities.

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<sup>i</sup> New Horizons, Rural Adjustment, NFF, 1993, p.123.

<sup>ii</sup> Shone, Ronald, *Issues in Macroeconomics*, Martin Robertson, 1984, pp. 11-12.

<sup>iii</sup> Kindleberger, Charles P; *International Economics*, Richard Irwin Inc., 1974, p. 77.