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## ***NON-AGENDA***

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With the view of causing an increase to take place in the mass of national wealth, or with a view to increase of the means either of subsistence or enjoyment, without some special reason, the general rule is, that nothing ought to be done or attempted by government. The motto, or watchword of government, on these occasions, ought to be — Be quiet...Whatever measures, therefore, cannot be justified as exceptions to that rule, may be considered as *non-agenda* on the part of government.

— *Jeremy Bentham* (c.1801)

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## **MONEY AND THE ENVIRONMENT**

**Alistair Watson**

**E**nvironmentalism is a potent political force in Australia. The most recent response to widespread community concern with adverse effects of agricultural production on the environment is the decision by the Council of Australian Governments (COAG) in November 2000 to embark on a seven-year \$1.4 billion plan to combat salinity, jointly funded by the States and the Commonwealth. The Prime Minister has described salinity as Australia's 'greatest environmental crisis'. Despite this acknowledgement and the planned expenditure, both farmers' organisations and environmental groups are not satisfied. Earlier in 2000, the Australian Conservation Foundation (ACF) and the National Farmers' Federation (NFF) claimed that expenditure of \$65 billion over ten years was required to combat land and water degradation. The ACF and NFF also collaborated in the creation of Landcare over a decade ago.

Modern environmentalism in Australia has led to administrative changes as well as substantial reordering of political priorities. A favoured administrative unit is now the 'catchment' or 'region' rather than established political boundaries. Together with Commonwealth control of grants-based funding, this has eroded the traditional and constitutional role of the States in land management. The fashion for community involvement and extensive consultation has diminished the role of science-based professionals in environmental and agricultural bureaucracies. This is more intentional than accidental. The philosophical basis of environmentalism is different from traditional approaches to environmental problems. A voluntarist

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philosophy widespread in the conservation movement sees solution of environmental problems as dependent on consciousness raising and an attitude test for the community as a whole, whereas traditionally the solution has been seen as the resolution of a complex problem in public administration involving interaction of physical, biological, hydrological, political, social and economic factors. The measurement, hypothesis testing and reductionism of science is rejected in favour of holism, with ill-defined slogans and catchphrases like 'sustainability' and 'triple bottom lines' (environmental, social and economic). As is also the case with other complex political and technical problems, environmentalists confront a choice between telling the full story and losing the audience or oversimplifying the message and achieving short-term political results. Unfortunately, the majority view of the organised Australian conservation movement is to prefer the latter.

There is no point in being nostalgic about these changes. Increasing emphasis on the benefits of the amenity provided by land and water resources and the costs associated with modern agricultural production is predictable in an affluent society. Concern with environmental damage in agriculture is also an ingredient of the widespread pessimism surrounding Australian agriculture. The moral panic encouraged by the environmental movement and some farmers strikes a more receptive chord amongst urban dwellers and politicians than recondite arguments concerning the relative decline of the agricultural sector in a developed economy and Australia's intractable problems in agricultural trade. Nevertheless, the inherent characteristics of environmental problems and the magnitude of actual and proposed expenditure require that institutional arrangements and the content of environmental policy be subjected to greater scrutiny. Public policy should be judged by its effects not its intentions.

There are difficulties with the current direction of environmental policy and administration. The size and diversity of landscape and land use in Australia mean that central control of funding and program management is expensive and seldom appropriate to local circumstances and preferences. The hydrogeology of dryland salinity is different in Western Australia from the eastern States. Moreover, the land is flatter and the farms much larger. The relative importance of off-site and on-site effects is different (Pannell 2000a). Western Australia has the expertise and resources to organise its own salinity abatement effort without imposition of costly and unwieldy Commonwealth programs. Without considerable care and far-sighted leadership, there is a danger of chequebook environmentalism with progress measured by the number of grants, press releases and column-inches rather than results on the ground and in farmers' pockets. Regional programs are vulnerable to interference with a political system based on single member electorates dominated by marginal seats' strategies.

The usefulness of catchment management as an organising principle is problematic in large parts of Australia. Where most of Australia's agriculture is practised, catchment management is based on little more than the observation that water flows downhill. (Except that in earlier pro-irrigation phases of Australia's agricultural history, water flowed uphill to votes and money.) Catchment

management neglects other important dimensions of environmental problems — settlement history and its relationship to production systems and the profitability of farming, soil types and climate, for example. Most importantly, catchment management in Australia, most often styled ‘integrated’ catchment management, has not resolved difficult funding and cost sharing issues between private landholders and different tiers of government. Pannell (2000b:2) has pointed out that ‘advocates of catchment planning also seem to neglect the reality that real decisions about farm management are made by individual farmers, not by catchment groups or regional [natural resource management] bodies.’

In principle, the rhetoric of local participation in catchment management should be matched by local contributions. Significantly, the attempt to introduce extremely modest catchment levies in Victoria failed and the resultant adverse reaction in country areas was partly responsible for the defeat of the Kennett Government. Catchment levies might have justified the ambitious hopes for catchment management, as well as the degree of autonomy promised to catchment management authorities, in Victoria. Instead, the Victorian Government is now taking total financial responsibility for funding catchment management. Eventually, the Victorian Government will want greater control of catchment authorities to ensure accountability and, in the process, will be likely to alienate local people involved in the management of catchment authorities.

Landcare and similar programs have other conceptual problems. Landcare is based on a narrow approach that promotes group activity as the organisational basis of environmental remediation. By default or design, this is at the expense of scientific information, careful economic analysis and calculation, and patient public administration. In fact, as revealed by the National Commission of Audit in 1996, and the 1997 report of the Australian National Audit Office (ANAO) on Commonwealth Natural Resource Management and Environment Programs, Landcare has suffered from flawed administration with its convoluted funding procedures. Despite protestations of greater participation, consultation and empowerment of farmers, Landcare has resulted in transfer of control to officials in Canberra. These officials are seldom trained in technical aspects of farming and have limited capacity to assess submissions on reasonable criteria. The environment has become another area of administration where imbalance of powers and responsibilities for taxing and spending is played out between different agencies and tiers of government.

Environmental policies and administrative responsibilities are so confused that separate Commonwealth and state agencies are often competing for the same funds, that could be allocated directly. Grants-based funding is a poor substitute for strong public research agencies with properly-defined responsibilities and appropriate systems of quality control and accountability. Uncertainty over the continuity of funding is diverting researchers from the important tasks of narrowing down the most significant environmental problems and developing options to handle those problems. Funding almost exclusively on the basis of submissions is at best likely to produce random results; at worst, it will institutionalise make-work activities and encourages laxity and favouritism.

Group activity is most sensible when there are significant local off-site effects of farming practices. To date, the importance of externalities has generally been asserted rather than established on the basis of measurement and technical analysis. In the case of dryland salinity in particular, recent hydrological and hydrogeological investigations have revealed that on-site phenomena are far more significant than previously thought. These should be the responsibility of private landholders not governments. Access to useful technical knowledge and the acceptability and profitability of salinity control measures are more important in the adoption of innovations by farmers than group activity. Encouraging group activity without thinking through, and dealing with, difficult issues concerning the distribution of private and public benefits from private and public expenditure is abdicating responsibility, not empowering local communities. Group activity *per se* is not really the problem. The problem is that groups become a vehicle for interest group politics, when what should be encouraged is diversity of views in the policy debate. These difficult issues in public administration were elaborated in a recent contribution to this *Journal* (Kerley and Starr, 2000).

A further weakness of group activity at the local level and excessive involvement by 'pique' organisations like the NFF and ACF in formulation of environmental policy is that the option of land retirement is downplayed. The promise of environmental and economic sustainability is held out to all farmers when that is impossible in many areas of Australia for technical and economic reasons. The NFF is hardly in a position to tell some of its constituents that their prospects are poor, with or without environmental problems. Moreover, direct (and often unpopular) regulation by government will be necessary to achieve some environmental objectives. This is made more difficult when government has passed responsibility to local groups. Buy-back of irrigation entitlements is a practical and potentially lower cost solution to some environmental problems. The knee-jerk opposition of the ACF and NFF to market-based instruments effectively precludes this option. Finally, group activity loses its momentum because it is so time-consuming and frustrating for the farmers who are expected to develop the 'community-based solutions' to environmental problems.

Concerns with the capacity of the natural environment to sustain agricultural production and any damaging off-site effects of farming are not new in Australia and other countries. Following the experiences of the 1930s, all States embarked on programs directed at reducing soil erosion. In that case, there was explicit recognition that economic and environmental problems were entwined. Professional organisations worked closely with farmers and considerable progress was achieved in reducing soil erosion in an (admittedly easier) era of agricultural expansion and profitable farming. Widespread soil erosion in the 1930s was the consequence of low prices and low farm incomes, deficiencies in farming knowledge and practice, and chronic structural weakness of the agricultural sector occasioned by over-enthusiastic official settlement policies. In irrigated areas, small farms with excessive hydraulic loads on unsuitable soils and inadequate investment in drainage are still the major sources of environmental damage. These problems can obviously be sheeted home to previous government actions.

Environmental problems associated with reduced river flows are also the result of past ill-conceived enthusiasm for irrigation. A similar story could be told about land clearing. Until very recently, governments actively encouraged land clearing with taxation and other substantial incentives. No wonder farmers are confused, especially in states like Queensland and Western Australia where the ethos of agricultural expansionism persists most strongly.

To be effective, environmental policy:

- requires a rigorous approach that gives primacy to generation and dissemination of credible scientific information;
- recognises the economic difference between reversible and irreversible environmental damage;
- separates on-site and off-site effects; carefully distinguishes public and private responsibilities for the environment; and,
- considers the appropriate division of public responsibilities between Commonwealth, state and local governments.

Environmental problems would be difficult to resolve at any time, even without the recent fickle behaviour of the rural electorate most obviously demonstrated in the Hanson episode of the late 1990s. Mainstream politicians are at pains to recover lost ground in rural and regional Australia, frequently — and just as loosely — described as ‘the bush’. Current spending on the environment should be seen as part vehicle for effecting income transfers to farmers and rural communities and part response to environmental problems *per se*. In a supposed era of economic rationalism, it is salutary to observe that a useful principle for public policymaking is now almost completely ignored. There is scant attention to matching objectives of policy with the instruments of policy. For example, the Natural Heritage Trust was established from the proceeds of part-privatisation of Telstra, breaking every rule in the public finance book. Environmental expenditure is a blunt tool for increasing the welfare of farmers. In some cases, farmers’ welfare will be reduced if they are encouraged to spend their own funds on worthless initiatives by the lure of government grants. If the objective is improvement in the natural environment, expenditure needs to be directed to environmental problems on criteria other than the location of swinging seats.

The NFF and ACF have been vigorous in advocacy of greater expenditure on the environment. For different reasons, the NFF and ACF are prepared to paint a grim picture of Australian agriculture and exaggerate environmental problems. Both organisations have interests in promoting environmental programs and obtaining funds for their constituencies. The campaign to increase expenditure on salinity reached its zenith in mid-2000 with the release of documents by the NFF and ACF supporting expenditure of \$6.5 billion per year for ten years (NFF/ACF 2000) and subsequent advocacy by two former officials of the NFF and ACF (Rick Farley and Philip Toyne) of a one per cent taxation levy to fund salinity control. The difficulties of the latter are more straightforward than the NFF/ACF proposal. Only the Commonwealth has the power to raise environmental levies.

The Commonwealth would be more firmly in the driver's seat. Cost sharing and user charges will be neglected. Some public responsibilities with respect to the environment should be paid for directly by state governments and/or from local government rates. A hypothecated levy of the size suggested would make environmental agencies so flush with funds that insufficient care would be taken in developing a program of environmental remediation than would occur if it were paid for from general revenue, partially reliant on farmers' contributions.

What is lacking in much of the popular environmental literature is recognition that the sequence of actions in the program is just as important as its content. There is inadequate acceptance that both resources and knowledge are insufficient to satisfy the utopian visions of environmentalism. The future is contemplated with the same confidence, almost insouciance, as the various constraints imposed by the past.

The earlier NFF/ACF proposal was based on consultants' reports by Virtual Consulting Group & Griffin nrm Pty Ltd (2000). The Land and Water Resources Research and Development Corporation, a Commonwealth-funded body, paid half the (modest) cost of this work. In other words, taxpayers are paying part of the cost of lobbying for taxpayer funds. Hopefully, this will attract the attention of ANAO, which previously took Greening Australia to task for using government funds to lobby for more government funds. Irrespective of the legitimate interests of the NFF and ACF, there are serious issues for public administration when lobby groups are that close to government agencies.

Three-quarters of the investment proposed by NFF and ACF is for the redressing of salinity mainly through reforestation. Not only has recent research questioned the association of dryland salinity with off-site or externality effects (Pannell 2000a), but also the hydrogeology of dryland salinity needs more refinement before all those trees are planted. There are insufficient commercial markets for wood products with planting on this scale. In any case, large parts of Australia affected by dryland salinity have insufficient rainfall for plantation forestry. Where reforestation is profitable, the benefits accrue to private individuals. How this fits into the cost-benefit calculus and ambit claims for government assistance is not made clear in the NFF/ACF documents. Moreover, tree planting on the scale envisaged would have drastic effects on surface run-off and water supply in some areas. In effect, this would concentrate salt in streams and rivers rather than improve water quality (Heaney, Beare and Bell, 2000). Barr and Cary (1992) correctly identified 'Symbolic Trees and Salinity' as one of the shibboleths of modern Australian environmentalism.

The NFF and ACF face numerous dilemmas in their political activities. The overriding problem for the strategy articulated in their recent joint exercise is that Australian agriculture is overwhelmingly export-dependent. Commercial farms have to compete on international markets. While the idea of retaining people on the land as caretakers has some currency in parts of the Australian environmental movement, how this is to be financed and maintained is not spelt out. The concepts of 'multifunctionality' and 'stewardship' were invented in Europe to describe the multiplicity of benefits provided by agricultural land and the dual role

of farmers as food producers and as custodians of the land and the environment. This has led to greater creativity in reconfiguring agricultural support. The ideas might just about have some legitimacy in densely populated Europe, where there are obvious links between intensification of production associated with modern farming methods, off-site environmental damage and loss of amenity to the non-farming population. Indeed, these unfavourable effects are exacerbated by agricultural protectionism in Europe at considerable cost to Australian farmers. The situation is altogether different in Australia. Subsidising Australian agriculture under the guise of environmental programs is not a long-term political proposition, even if it were financially possible. Taxpayers are unlikely to maintain their support for environmental subsidies when most of the output is exported. In any case, independent Australian farmers are unlikely to be interested in a new role as caretakers, living as many of them do in remote and harsh locations.

The Commonwealth and States were prudent in watering down the NFF/ACF proposals to a scale potentially manageable by responsible agencies. However, environmental policy is now compromised by:

- its emphasis on public relations;
- the mendicant status and consequent opportunism of research organisations dependent on grants-based funding;
- centralisation; and,
- the political desire for quick results when that is manifestly impossible.

Economists such as Corden and Krugman successfully disposed of the sporting metaphor in their writings on the spurious notion of national competitiveness, even though the idea lingers on in the down-market world of politics and popular discussion. The same intellectual effort is required of economists and scientists to dispose of an equally unproductive military metaphor in environmental discussion with its emphasis on campaigns and battles.

Spending more money on dryland salinity before there is appropriate understanding of economic and technical possibilities for ameliorating salinity will create new problems rather than solve existing problems. As observed by Pannell (2000b:3), 'the momentum behind ever increasing salinity budgets appears to be irresistible. We need to start spending the money sensibly, so that the new money is not spent as unproductively as the old money.'

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