AGRICULTURE, FOOD AND RELATED NATURAL RESOURCES RESEARCH

I refer to the Research Symposium 2011 entitled Resilience: Can our Environment keep bouncing back? This was organized by the Faculty of Agriculture, Food and Natural Resources at Sydney University and one feels educated and emboldened as a result of having attended the event. The following observations are made below as a result.

My favourite speaker for clear and logically argued direction was Associate Professor Michael Harris. He referred to INFFER, which I noted again from the INFFER website later, is a simple investment framework for environmental resources and a related tool for planning and prioritizing public investments in natural resources and the environment. INFFER requires decision makers to be explicit in their assumptions and to start planning with regional maps in which the significant public assets are ideally identified and simply graded in terms of their high or low significance and related threat, prior to making related recommendations for action to improve their nature and resilience.

When Harris discussed the INFFER system he appeared to use the regional framework to address benefits and threats to private activity, as well as public benefits and threats related to the natural environment. He also pointed out that the resilience of an environment should ideally be judged in the context of prior directions to achieve the broader ideal aims for that environment, which one assumes may ideally be related to public and private partnerships to achieving common environmental, social and economic goals. Harris strongly supported the earlier view of Dr Jane Belnap, a scientist with the US Department of Interior in Utah, that the management goals for any natural environment need to be clearly understood before 'resilience', which she defined as 'how easily the system bounces back', can be effectively studied or achieved.

The term 'resilience' was previously familiar to me in relation to practices to achieve good health management, rehabilitation after injury and related risk management and premium setting principles which are ideally used in management of occupational health and safety, rehabilitation and related compensation systems under state legislation. This approach appears consistent with Harris's regional approach to risks to the environment. Consistency is important for gaining management transparency and related system clarity and cost containment. Production chains and individuals typically work, consume and live in related regional communities. Under an insurance approach to maintaining or achieving greater 'resilience', managers appear advised to undertake the steps likely to reduce the major burdens of injury (in acute and chronic situations). Ideally, attempts are made to prevent injury, to rehabilitate the injured and to compensate more fairly.

In this context, support the Productivity Commission (PC 2011) direction in regard to rural research and development corporations as it can provide vital support for a new Australian and international government and community paradigm which ideally attempts to gain more sustainable regional development through better related investment and risk management. The PC notes the 2009 decision to abolish the Land and Water Australia research and development corporation (RDC). It suggests a new RDC entitled Rural Research Australia (RRA) intended to sponsor non-industry specific research and development (R&D) to promote more productive and sustainable resource use by the Australian rural sector. RRA's remit is expected to involve land, water and energy use.

I will be interested to see a synopsis of Professor Quentin Grafton's presentation 'Towards an understanding of the win-win outcomes from managing systems for their resilience' on your website, as promised, along with other key presentations. I note he is currently Professor of Economics at the Australian National University where he is the ANU-UNESCO Chair holder in Water Economics and Transboundary Water Governance and Director for the Centre for Water Economics, Environment and Policy. I could not understand a word he said. When I upset him by interrupting early on, to ask how he defined a 'system', I think he said it was 'anything you want it to be'. (Is that right?)

Clear aims and definitions are vital if confusion, cost, lies, corruption, loss and lawyers are to be more easily avoided than they were before and after the last global financial crash. Because I could not understand anything Professor Grafton said, in question time I asked him who had funded his research in the past and who he expected would fund it in future. I claimed no politician, bureaucrat or farmer should fund what he or she could not understand at least enough to justify clearly to others, and Grafton's presentation was incomprehensible to me. MP Bob Katter made a similar point later on the 'Insiders' program on ABC TV. He said he feared that plans for systems that are supposed to reduce carbon pollution would involve 'complex rubbish that is going to distress everybody in Australia'. The related memory and effects of the global financial crisis and of the Americans who mainly brought it, has not dimmed, at least for him and me.

Professor Grafton referred me to his website in regard to who had funded him in the past and said I might be allied to people in Canberra who had questioned the bona fides of his research and had even made death threats against him. I am not aligned to these people and had never heard of Professor Grafton or about this before he brought it up. I later noted in the Australian Financial Review (AFR 8.7.2011, p. 48) that Professor Grafton will start in August 2011 as the government's 'first chief economist' in a new 'professionally independent' agency within the Department of Resources, Energy and Tourism. Advisory board members will be Professor Paul Simshauser, Vivek Tulpule, Justin Smirk, Dr Lynne Chester, Anne Nolan, Dr David Gruen and Phillip Glyde. Gee, I hope they can understand him. Will Professor Grafton be expected to take their advice?

You are invited to ponder, as I have, the description of the research entitled 'Economics of Overexploitation Revisited' on Professor Grafton's website. It states:

> About 25% of the world's fisheries are depleted such that their current biomass is lower than the level that would maximise the sustained yield (MSY). By using methods not previously applied in the fisheries conservation context we show in four disparate fisheries (including the long-lived and slow-growing orange roughy) that the dynamic maximum economic yield (MEY), the biomass that produces the largest discounted economic profits from fishing, exceeds the MSY.

One first wonders how the 'maximised sustained yield' (MSY) may relate to the 'maximum' sustained yield in any particular period. One also wonders whether the term 'yield' refers to fish or to fishing profit or both. This is important because one assumes the value of the fish is greater than the value of the fishing profit. One naturally also wonders who owns the fish and the fishing profit and if Grafton thinks that this matters.

One wonders how the 'dynamic maximum economic yield' (MEY) can be assessed and what makes it dynamic. What are 'discounted economic profits'? (I thought economists lived in a world where there are no profits besides economic ones). What are these 'economic' profits discounted from and why? What are Grafton and his colleagues arguing when they state that 'the maximum economic yield (MEY), the biomass that produces the largest discounted economic profits from fishing, exceeds the MSY'?

I can only guess these researchers are addressing people who have said that 'maximising discounted profits causes stock depletions' and that in plain English this means 'comparatively unprofitable fishing causes fish and/or monetary stocks to be further reduced'. Their research discussion states:

> Thus, although it is theoretically possible that maximising discounted economic profits may cause stock depletions, our results show there is a win-win: in many fisheries at reasonable discount rates and at current prices and costs, larger fish stocks increase economic profits. *Surely larger fish stocks (where fewer bigger fish are equivalent to more of the smaller fish?) always increase economic profits, other things being equal, at least until the (fish and money) stocks crash?*

The research discussion then states:

> An MEY target that exceeds MSY and transfers from higher, future profits to compensate fishers for the transition costs of stock rebuilding would help overcome a key cause of fisheries overexploitation, industry opposition to lower targets.

Is Grafton simply arguing that spending money on fish stock rebuilding is likely to be a good idea if people want to fish as much as possible? Or is he arguing that attempts to broaden the number of investors in fishing companies is a good idea? Should the same word 'stock' be applied to two totally different things – fish and shares in a business – if one wishes to avoid confusion? I don't think so. It will lead to more major crashes.

A lot of things that seem clear quite quickly to Blind Freddy may seem subjects of great mystery after expensive experts. For example, I lived in Northern Nigeria for two years shortly after the Biafran war. It looked pretty obvious that desertification was related to women's daily search for wood to burn during food preparation. The British had planted an avenue of stately trees, I guess around 1910, which the military governor of Kano state was quickly chopping down at intervals to build things on his private farm, where he had also taken some of the land moving equipment of the Department of Main Roads.

Last year, on a domestic Qantas flight, I saw a great short film made by Channel 9, on women in Nepal who were assisted in the production and sale of alternative cheap fuel made from weeds they had also been paid to eradicate. Who needs economic 'experts'?

One wonders what Grafton thinks about competition because for the traditional economist there appears to be no such thing as an overcrowded market. However, the NSW WorkCover insurance system was established in the 1980s because the number of workers compensation insurers competing on premium price was so large the insurance funds collected were insufficient to meet the costs generated by courts after workers were injured. This caused the collapse of seven insurance companies and a new system in which industry and government owned the premium fund instead of giving the money to insurers to own. They then paid insurers to administer related services and invest the fund on industry and government behalf. Read about some of the ideal relationships between these structures and Medicare, private health insurance and between non-profit industry superannuation and other investment funds on www.Carolodonnell.com.au

One guesses that where Grafton and others like him stand on competition is that one can never have too much, but on the other hand monopoly is ideally abhorred by all, which is also a traditional legal line. I cannot understand what he says or writes but in this context it should be noted that Medicare is a monopoly pricing system designed to ensure that insurance companies, hospitals and doctors cannot drive the cost of health care services as high as they would otherwise be driven if the Australian population had no guaranteed access to free or lower cost services under Medicare. In the US people die earlier than in Australia and US health care services are more expensive and less equitable than those provided in Australia. Many with chronic illnesses may be denied treatment on the basis of having 'pre-existing conditions' and more than 40 million have no insurance coverage.

Problems were also pointed out in regard to legal and economic assumptions about the potential benefits of competition and the related horrors of monopoly, in an inquiry into telecommunications competition regulation which was initiated by the former Treasurer, Peter Costello. The PC (2001) attitude to its own inquiry into allegations of unfair use of market power in telecommunications was summed up in its quote from the Hilmer Report (1993) on national competition policy when it said:

> The central conundrum in addressing the problem of misuse of market power is that the problem is not well defined or apparently amenable to clear definition…. …….Even if particular types of conduct can be named, it does not seem possible to define them, or the circumstances in which they should be treated as objectionable, with any great precision……………**Faced with this problem………..the challenge is to provide a system which can distinguish between desirable and undesirable activity while providing an acceptable level of business certainty** (My italics)**.** (PC, 2001, p. 154)

The current Treasurer has stated that what the Australian business community wants most is certainty about the direction of carbon pollution reduction plans and the carbon price. The design of clear, low risk, green investment models is also vital. Try INFFER.

If Professor Grafton would like a professional model to assist clarification of the synopsis of his presentation maybe Professor Simon Gachter's description of his coming presentation at Sydney University entitled 'Understanding Cooperation in Humans: Lessons from Experimental Economics', will help. Gachter argues that cooperation problems may arise where 'group interest and individual interest are in conflict'. His results apparently show in sixteen subject pools around the world 'surprising cross-cultural similarities in cooperation in the absence of punishment but very large variability in punishment behaviour – with dramatic consequences for cooperation'. He will apparently present evidence the societal/cultural background has an important impact on behaviour that deserves more attention. I will miss Gachter due to holidays in the US.

Your attention in the above context is also drawn, however, to the forthcoming US presidential race and to the related recent performance of the Governor of Montana, Brian Schweizer, who has also recently faced an oil spill into the Yellowstone River. In a short interview with Geoffrey Brown on the News Hour on SBS TV last week, the Governor gave a very clear description of the effects of the oil spill on his constituency, their environment and far beyond, before outlining the apparent causes of the oil spill and suggesting clear steps for cleaning up the problem in the short term and for monitoring and fixing it in the longer term. The Governor of Montana's TV interview seemed to me a startlingly new and more informed approach to life by an amazingly competent and well rounded communicator which could avoid the usual ten year court cases that no-one understands, where the lawyers and 'experts' who hang off their bounty again win big.

The US often seems less like a democracy than a place where the rich secretly buy politicians who appear incapable of speech informed beyond the woolly levels considered desirable in continuing processions of courts and for giant children's election parties. Too bad rich Americans so often appear to run Australia in their own interests mainly through universities and lawyers. Why not give the 'fourth estate' the sort of chance to explain matters more clearly? This seems likely to be appreciated by the Chinese masses and others who are not rich and also by Rupert Murdoch, now that he has shut down the 'News of the World'. See more discussion on Fairfax press and social services attached.

Thank you for a very interesting and informative symposium. (The waiter singing 'I'm going to get you on a slow boat to China' as he passed close behind me should be shot).

Cheers, Carol O'Donnell, St James Court, 10/11 Rosebank St., Glebe, Sydney 2037.