BY JOHN E. LEE

Can Agricultural Economists Contribute To Good Public Policy?

Should agricultural economists continue to serve primarily the ag production community, or should they consider the interests of a broader selection of stakeholders? In either case, a more transparent and public discussion of policy alternatives and their consequences would help everyone involved.

Agricultural policy is sometimes characterized as a rent-seeking enterprise based on political power and money. The commodity policies are called a game in which politics overpowers economics and economists. In this characterization, anything that economists do, such as modeling consequences of alternative policies, is often thought to be for their own professional entertainment. The making of the 2002 Farm Bill, and the response to it in academic circles, has prompted suggestions that there is truth to this view.

Policies are adopted to favor powerful special interests that have at least the passive acquiescence of the majority of voters. Voters acquiesce if they agree that the policy is good, if they feel they are not affected, or if they are largely ignorant of the consequences of the policies. When it comes to farm policy, the vast majority of Americans seems to fall into the latter two categories.

Considerable research evidence shows that U.S. farm policies have serious negative side effects, and most readers of CHOICES are familiar with the litany of problems that stems from the farm support programs. Economists continue to argue that heavy financial subsidies drive production costs up, drive commodity prices down, distort the mix of production inputs, distort trade patterns, abet the trend to fewer and larger farms, and reduce the viability of farming in poor agricultural countries.

Recently, a cotton industry spokesperson suggested that the 2002 Farm Bill was good for all segments of the cotton industry.

Since the attractive payments likely encouraged more production, input suppliers, ginners, warehouse operators, shippers, and merchants were happy because they make their money from cotton flowing through the system. Millers were happy because they purchased cotton at lower prices. Deficiency payments and program payments compensated producers for providing the increased output for the rest of the industry. Similarly, lenders speak enthusiastically about the 2002 Farm Bill because it keeps land values (collateral) rising and makes farm lending less risky.

So it goes with one industry and interest group after another. Cotton and lending (banking) are interest groups with persuasive lobbyists. They provide tangible support to members of Congress who support their views. They pay scant attention to the concerns of a few unorganized academics who often spend more time picking at each other than informing the policy decision process.

Comprehensive economic "transparency" contributes to informed public policy. However, if all participants in the public policy process had a common knowledge base regarding the likely consequences of prospective policies, they could approach policy decisions as informed decision-makers and voters. Even where special interests are pervasive, comprehensive transparency could serve as a powerful restraint on behavior that runs counter to the broader social good.

Rather than serving as advocates for what producers say they want, agricultural economists need to be the honest friends of producers about the likely outcomes – good and bad – of alternative policies.

Economics is an appropriate science for providing transparency about policy options and outcomes. More than any other science or discipline, economics utilizes analytical frameworks designed to evaluate tradeoffs, costs, and benefits. Moreover, the common analytical frameworks used in the discipline are flexible enough to encompass a wide array of public concerns and policy objectives. The fact that applications of the economist's analytic frameworks are often very narrow does not detract from the potential for those applications to be far more comprehensive. Motivation and resources are required for that to happen.

Economic transparency can be useful in improving public policy if several conditions are met. These include but may not be limited to:

Policy analyses must distinguish between problems and symptoms, as well as cause and effect. Legislators and farm lobbyists frequently argue for higher commodity subsidies to offset low prices and rising costs, without acknowledging that the low market price and the high costs of inputs can be partially attributed to the very policies they are supporting.

Who Has The Gold, Makes The Rules?

As an aside, the issue of funding research and Extension is a major problem for agricultural economics and for agricultural research in general. Agricultural research and researchers can serve a broad range of stakeholders in food, agriculture, and resource use. Further, it may be that agricultural economists should serve broader interests because taxpayers at large, not just farmers, pay public employees. But the historic role of serving primarily producers has become so institutionalized in terms of the structure of appropriations committees and advisory groups that individuals in the profession have been peculiarly dependent on the good will of producers for USDA and Land Grant University support. Thus, consumer groups, environmental groups, and others often don't see us as friendly sources of information and analysis relative to their interests. While this is a topic for a separate discussion, it should be part of the conversation about transparency in public policy discussions.

Cotton is regarded as a key beneficiary of the 2002 Farm Bill, but is that because of the cotton producing sector's importance to the U.S. economy (and thus the public policy merits of cotton) or its ability to influence the Congressional debate?

The analysis and publication of information on consequences must be comprehensive. Typically, analyses of farm or food policy options address only impacts on farm income, government costs, and trade, and this is often done in a static context. The impacts of these policies are much broader include such things as :

The progressiveness or regressiveness of redistributions of income and wealth resulting from farm subsidies and food programs.

The ways in which various policies have driven, constrained, and otherwise affected the structure of agricultural and food markets.

The consequences of the interaction between policies and technological change.

The performance of the general economy. (Americans spend so little on food that they have extra disposable income for other things. Does this help drive the consumer economy? If so, does this make expenditures on farm programs a good investment? If this is true, are there other ways to achieve the same results more efficiently?)

The public money spent on agricultural support programs could be used in other ways. (What other activities are foregone in order to continue to subsidize agriculture?)

The links, if any, between large subsidies for American farmers and increased poverty, hopelessness, and violence in third world countries.

Many policies defy evaluation in purely economic terms. Such policies are based on issues that are as much social and political as they are economic. Even so, this must not be used as an excuse to avoid appropriate economic analyses. Policy makers and others need to know the opportunity costs of decisions even if economics is subordinated to political and social objectives. When Don Paarlberg was Director of Economics for USDA in the 1970s, he told a group of ERS analysts, "Don't try to anticipate what I want to hear. Just give me honest and accurate analyses. That way, if I have to make a political decision that does not square with your analysis, I will know the cost of that decision." An important part of transparency centers on knowledge and understanding of the opportunity costs of public policy decisions.

The analysis must be as objective as possible. The sub-discipline "agricultural economics" came into being at a time when the economic status of farmers was seen to be a major social problem. Many agricultural economists, then and now, came from farming backgrounds that gave them a natural sympathy for farmers. Many among the profession's ranks today still see agricultural producers as their most important clients, and serving the interests of this clientele as their major responsibility. As the well-being of people in agriculture has improved relative to the rest of the U.S. population, the profession's view of its clientele has lagged. We do not have a strong tradition of providing comprehensive transparency to the larger public. This transparency is needed to assure policy decisions that serve the public good.

The results of our work must be communicated. Transparency has not been achieved if economic insights and findings are not known and understood by all who are involved with policy decisions. Publishing technical results in journal articles or presenting them in papers at professional meetings is critically important for validation by professional peers. However, such outlet activity should be the beginning, not the end, of communicating economic information and knowledge.

Information contributes to transparency only after it becomes a part of the common knowledge base of farmers, legislators, taxpayers, and the media. This means that teachers, the media, administrators, and those who fund economic research must be able to understand the results associated with agricultural economics research. Researchers and analysts themselves must accept major responsibility for helping non-economists understand the consequences of public policies.

Agricultural economists must find ways to generate more insightful and credible analyses of policy outcomes.

Where To Begin

There is no magic method for making economics and economic logic more useful in public policy debates. However, some things can be done. At the outset, agricultural economists can change their approach to the traditional producer constituency. Rather than serving as advocates for what producers say they want, agricultural economists need to be the honest friends of producers about the likely outcomes — good and bad — of alternative policies. This shift has to be made with great care. Research economists will need to work closely with Extension and other outreach counterparts, including those who work at the sub-state level, and who are more accustomed to seeing things through eyes of producers.

Making this change may require some coordinated efforts to get the attention of research and Extension administrators who will be called on to support and cajole agricultural economists as change takes place. This is important because these administrators are usually sensitive to the good will of producers, who are an important source of support for budget appropriations.

We might also revisit the fundamental role of public policy education in Extension. Despite the best efforts of the Farm Foundation and a small number of skilled Extension educators, too many Extension economists simply preach their own biases or, perhaps more often, avoid sensitive policy issues altogether. We need to reduce the barriers between Extension economists and policy researchers so that Extension educators can be more fully armed with knowledge about the consequences of alternative policies. And, we need to train Extension educators to find windows of opportunity to introduce producers to information that, while often contrary to conventional wisdom, may give the producers a more thoughtful perspective on policy issues.

Agricultural economists must find ways to generate more insightful and credible analyses of policy outcomes. This will require allocation or reallocation of funds to policy research, as well as more emphasis on good policy research by journal editors, university administrators, and other "rewarders" who motivate agricultural economists. It will also require more support for the agencies that are capable of, and often free to, conduct comprehensive analyses and provide data and other services to the profession and its clientele.

Skilled synthesizers who can provide a non-technical bridge between research economists and those who need to understand the findings must be encouraged.

Economics makes a contribution by helping ensure a more informed and transparent public policy debate and process. This comes by making the consequences of alternative policies as transparent as possible. The tools to do this are available. Economists have analytical frameworks for examining multiple outcomes. They can identify cause and effect linkages using both theory and research, and they can help all who have an interest in policy to ask useful questions. Transparency is the key, and economists— especially publicly employed economists — have a responsibility for providing this informed look at public policy.

This article is a is based on comments made at the organized symposium: "The Farm Bill: Where Have the Economists Been?" presented at the Annual Meeting of the American Agricultural Economics Association, Long Beach, California, July 29, 2002.

John E. Lee is former Administrator of ERS-USDA. He is currently professor emeritus in the Department of Agricultural Economics at Mississippi State University..