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The Australian farmer's perception of the need for more economists in Canberra is little different from the American farmer's perception of the need for more economists in Washington. The latter was aptly summarised on a bumper sticker sighted during a farmers' protest rally. It read: "Save the Family Farm - Eat an Economist."

If the label of "economist" is a difficult one to wear, imagine the burden to be borne by those who also must identify themselves as working for "the Government". Everyone knows that the third greatest lie of the twentieth century is: "I'm from the Government and I'm here to help you." In Australia today the words "Canberra economist" conjure up visions of a fat, lazy, tax-eating bureaucrat to be found strutting the halls of power uttering unintelligible hyroglyphics with old testament religious fervour.

What has happened to our profession - a profession that bases its doctrine on the ethical premise of maximum human welfare? Where are the economists when the great social debates on employment, medical care, urban development, public transport or education are conducted? How many of our parliamentary representatives would identify themselves as economists? How many business leaders? Or even heads of state departments of agriculture?

It would be a mistake to infer that the influence of economists is on the wane. It most definitely is not. What is

happening, however, is that proportionately fewer and fewer applied economists are willing to identify themselves as economists. They masquerade under titles such as business manager, market analyst, administrator, treasurer and even bureaucrat! Let me illustrate the dichotomy that has developed by referring to a tactic employed by a very good applied economist who is a colleague of mine on a board of which I am a member. On the odd occasion on which we take opposite sides on an issue, he prefaces his comments by saying: "I am not an economist, you'll have to look to Geoff for an economist's view..." There then follows a sound and logical economic argument supporting his case. He knows that, when I follow, the label he has placed on me will mean that half the board won't even hear what I have to say! And do you know, sometimes his tactic actually works!

This audience will be well aware that just as proportionately fewer applied economists identify themselves as economists, so too is proportionately less applied economics being taught in faculties that identify themselves as economic faculties. We are well into the era of the business school. When I was a graduate student at Stanford University, I found that my associates in the Business School were covering much the same ground as I was covering in the Economics Department. The difference was not in the principles being taught, but in the way they were taught.

I have found that the way people are taught economics has a large bearing on their value as applied economists. Those who are taught applications of the theory as rigorously as the theory itself are the most useful. There are few of them. Those who are taught to apply economics less rigorously, even if their theory suffers from the same disability, benefit nevertheless from having addressed empirical problems. Good theorists with little training in applications, usually burn up all their energy (and other people's patience) telling policy decision-makers why the data cannot be usefully employed, why no inference can be drawn from the results of the analysis, or (at the other extreme) advocating excessively simplistic solutions to complex practical problems.

Of course, people graduating in agricultural economics suffer the disabilities of the pure economist to a far lesser degree. They are far less bound by the confines of the purist Walrus/Pareto paradigm, while for the most part they are also

at least as well versed in the theory. They are inclined to look to the practical world for inputs into their analysis, as well as to textbooks of economic theory. They have learned the application of economics to something, rather than having learned the principles for their own sake.

So agricultural economists in Canberra begin with a head start. However, that does not necessarily ensure that their endeavours will be productive. With many years of accumulated prejudice, I think I can objectively assert that those who joined the BAE have probably been more empirically productive, on average, than most, notwithstanding Keith Campbell's comments on earlier cost-of-production studies. Yet in the BAE, in recent years, a great deal has been learned, with substantial contributions by Jock Anderson and Jack Lewis, about improving the productivity of professional resources.

I am going to divert a long way from my principal theme, namely, the effectiveness of economists in the policy advisory process, to record the enormous changes that have been undertaken in the organisation and management of the BAE in recent years. Of course, reorganisation of government agencies is, and should be, a frequent occurrence. Changes undertaken in the BAE, beginning in 1979-80, however, had some unique features.

Thirteen years working within the Bureau had led the then Director to some firm views about the organisation. As a research institution, its productivity was low. As a policy agency, its influence was much less than it should have been. There were no built-in arrangements for planning its research program, nor for assessing its performance. A high proportion of work commenced was never completed. The supervisory burden on senior staff was so great as to cripple their efforts to direct and undertake continuing work. Yet the level and quality of supervision was poor. There were simply too many middle and lower level staff relative to more senior people. Draft papers circulated and recirculated, but seemed to go nowhere. Data from the Bureau's survey program were published far too late usefully to inform policy-makers and rural people. There was little coordination between the Bureau's work program and the policy agenda.

Of course, all such judgements are relative to what is evidently attainable. Despite the strength of these criticisms,

the Bureau, compared with many comparable agencies, was even then an effective organisation.

The major single challenge in running an agency such as the BAE is to develop a coincidence between corporate objectives and those of its individual talented and creative researchers and analysts. Furthermore, this coincidence has to be developed at a high level of individual motivation. Effective assessment and promotion systems must be coupled with opportunities for peer-group recognition through professional publication. It is necessary to have sufficient freedom and participation in decision-making to allow creativity to flourish. Yet there must be sufficient firmness in decision-making to have the organisation get on with its work in a decisive and determined manner.

The changes actually made in the BAE were briefly summarised in its (one and only) 1979-80 *Annual Report* (BAE 1980). (Subsequent Reports were incorporated into that of the Department of Primary Industry.) The full diagnosis and development of some of these prescriptions was set out in a report prepared for the Public Service Board (BAE, 1979). Key elements included:

A comprehensive system of corporate planning, redefining the objectives of the Bureau, and matching its resources each year to a corporate research program;

Complete restructuring of the organisation towards a less hierarchical structure more suited to a research agency, with emphasis on maximising individual and group achievement;

Reduction in staff numbers by about 15 per cent, to encourage more personal supervision and to increase the capital intensity of research, particularly in relation to electronic technology;

Replacement of the (ambiguous) *Quarterly Review of Agricultural Economics* with a dual journal output policy, encouraging professional papers to be submitted to outside journals and creating a new quarterly review of the rural economy as a more efficient instrument for communicating the Bureau's output to less

specialised readers;

Disbandment of the hierarchical "Editorial Committee" and its replacement with a more democratic editorial system under the direction of a full-time editor (the new Bureau Chief Economist) utilising an internal and external refereeing system;

The implementation of an annual program review conference to allow open debate and discussion of the Bureau's work program, its administration system and its management practices.

The annual review of the BAE's research performance, presented by the Chief Economist to each year's Program Review Conference, provides a record by which the Bureau's productivity can be assessed. In 1980-81, in the year following the reorganisation, Jack Lewis reported an 80 per cent increase in the volume of output and "a noticeable upgrading in the professionalism and analytic competence of the Bureau's work" (Lewis 1981, p.6) while at the same time documenting its shortcomings in no uncertain terms! In 1981-82, Jack reported a further 32 per cent increase in output (Lewis 1982, p.4) but seemed to be running into increasing difficulties in keeping count!

The improvements in the performance of the BAE in the post-1979-80 era will be judged more objectively by the profession in due course. However, at this conference celebrating the University of New England's Silver Jubilee, it is worth recording the New England connection. The then Director of the Bureau was a New England graduate, though his role was only to fantasise an alternative BAE in his mind's eye and to (mindlessly) insist that his fantasy be acted out! Those principally responsible for turning the dream into a practical reality were Denis Hussey (not a New England graduate, but a Kiwi whom most of us would gladly embrace as our own), Jock Anderson (from New England, who spent two years as the Bureau's Foundation Chief Economist, in a temporary diversion from his ascent of the academic ladder!), and Jack Lewis (Foundation Professor of Agricultural Economics at New England, who spent two productive pre-twilight years as the Bureau's second Chief Economist). Of course, the reconstruction of the BAE was really a team effort, with many of the key participants not having been

touched by the New England wand!

As instructive as it may be to divert into a longer dissertation about improving the professional performance of economists within institutions, the effectiveness of our profession in the policy advisory process has much more to do with between-institution performance.

In the past couple of years, in my capacity as Deputy Secretary of the Department of Primary Industry, I have become painfully aware of our deficiencies in this regard. There exists a great communication gulf between the policy-makers and the economists. Whether you look at the IAC and its relationship with the Department of Industry and Commerce, the Treasury with the Cabinet Economic Committee, or the BAE with the Department of Primary Industry, the gulf exists, to varying degrees. I am firmly of the view that the marginal-value product of efforts to close this gulf far exceeds the marginal cost.

This is not, however, a problem that will easily be resolved. The skills required for policy extension are, by and large, not being taught. And people who do embody the seeds that might grow into such skills - they must be well-trained economists - are discouraged from entering the field. Of fifteen or so new graduate appointments to the Department of Primary Industry each year, very few are good economists. This is not because the Department doesn't want them: it desperately needs them. It is because there are no applications. There are no applications because good students are told that, if they wish to go to Canberra, they should go to the BAE, or Treasury or the IAC, or maybe the Bureau of Statistics. Administrative policy departments are said to offer unfulfilling professional prospects. This is, to some extent, a self-fulfilling prophesy.

In science, there is a continuum of people filling the space between the most brilliant theoretical physicist and the most outstanding corporate business engineer. There is excellence to be found randomly distributed across this continuum. Not so in economics, at least in the policy areas. Excellence has been concentrated in institutions such as Treasury, IAC and the BAE.

The result is that in the policy domain the operative constraint is not the availability at the conceptual level of

appropriate policy responses, but the capacity to develop them into detailed empirical specifications and the ability to market them. These constraints include the availability of people capable of comprehending the difference between the conceptual and the practical, of translating complex proposals into understandable language, with the capacity to modify first-best plans efficiently to overcome political constraints, and the capacity to build new policy proposals that still retain the key economic elements of rejected proposals.

These skills and abilities are most important to our ultimate professional success. In their absence, policy debates are polarised. Research economists appear to be insensitively doctrinaire. Indeed, in the political domain we often lose credibility as a profession by advocating changes that are so extreme as to lie beyond the imagination of those we are attempting to convince. Then, when our advice is rejected, we are not held in sufficiently high esteem to be called upon to develop and present next-best options. The result is that the ordinary men and women who make policy decisions take refuge in the status quo.

In the economic policy advisory process, patience is a pre-requisite. Policy changes that move the policy process in the right direction, even though not going all the way, are better than no changes at all! If we are sufficiently adept at the process, it is often possible to implement small changes which can be reliably predicted to snowball so as inevitably to make further and more substantial change in the right direction.

There are enormous opportunities for improvements in economic policy by keen observation and the application of the most simple economic principles. When there is greater willingness to acknowledge the value of people undertaking practical work of this kind, and to train and motivate students to embark upon it, the respect with which economists are held within the community will be greatly enhanced. More economists will come out of the woodwork, hold their heads high, and proclaim their true professional allegiance. And fewer of their more outstanding policy masterpieces will fill pigeon holes!

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