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Forum

A SWOT Appraisal of the Australian Profession of Agricultural Economics as at 1988*

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One approaches occasions such as this with trepidation. It's not every year that our society has a Bicentenary Dinner. Indeed it's a unique event--just as, I must say, is every other dinner each of us ever has. Still, the Bicentenary of white settlement is somehow special; not so much, I believe, in terms of our awful history of maltreatment of aborigines and degradation of convicts, as so well exposed in Robert Hughes' *The Fatal Shore*, but because of the cue to reflect on that history, to recognize Australia as a nation that is ours, early and late comers, and to do our best for the future.

Part of that doing our best is that we do our best as agricultural economists, specifically as Australian agricultural economists-- which, I hasten to add is different from merely being agricultural economists for Australia. At the corporate level of the profession, this means the Australian Agricultural Economics Society, our professional association, doing its best. To this end, tonight, I've decided to give my personal top-of-the-head assessment of where we are as a profession and where we might be going. As will become obvious, it's a purely idiosyncratic assessment unencumbered by any research or even specific reading on the topic. In other words I plan to be overtly subjective, not covertly so as we usually are.

To begin, I should let you know my biases and inadequacies as I see them, knowing fullwell that you can discern more of them than I can (or would wish to!). First, my orientation and interest is in microeconomics. It's an area where I think we can be normatively helpful and effective.

Second, macroeconomics has never really gained my interest. On reflection, I diagnose three reasons for this lack of interest--my initial background in agricultural science; my impression that nothing is ever really resolved in the macro area, it just goes round and round; and the fact that macroeconomics inevitably involves politics and politicians. I don't want to play in a game where most of the players either have some special barrow to push or are so deluded as to think that the ideology they subscribe to can solve all the world's problems or are self-serving power-hungry nasties who can't be trusted. As they say, you can always tell a politician but you can't tell him much.

Third, I'm no longer up to date in econometrics. I have no trust in its modern elaborations and complexities. To me it shows no significant track record of success. Its practitioners appear to be carried away by expectations and the delusion that the economic future will be, in a modelling sense, structured like the past.

Fourth, and not unrelatedly, until we can remember the future, *i.e.*, until science has explained absolutely everything and predictions become perfect, I think it makes sense to subscribe to tychism-- not necessarily the religion, to which I also subscribe (as I also do to the Centre for Independent

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Studies), but the theory that chance controls the universe. That, of course, is excessive but I do believe chance, *i.e.*, the lack of sure predictability, plays an important if not dominant role in the world's affairs.

Fifth, in this catalogue of my biases, I have trouble conceiving of any problem that can't be posed in terms of economics. Conversely, I disagree violently with any view that economics is only concerned with problems that have a money dimension.

Sixth, I see no boundary between agricultural economics and economics, and I see myself as no great shakes at either. I'm more like a page out of the census report--broken down by age, religion, occupation and sex. This will doubtless become clearer as, with mercurial ambivalence, I further reveal the profundity of my banality. Lastly, too, I should note that, compared to the problems of the developing world, I find it difficult to get excited about the so-called problems of Australian agriculture. On any meaningful measure, the problems of poverty, production, equity, subsistence, *etc.* faced by the bulk of the world's population, largely situated on resource-poor small farms in developing countries, outweigh the problems of rural Australia. Yet, such a judgement puzzles me and I have to admit some schizophrenia. On the one hand I'm convinced of the impossibility of interpersonal comparisons of utility or satisfaction. On the other hand I know that, because of my education and experience, I can get a lot more satisfaction out of any extra dollar than some poverty-stricken farmer in the developing world who could only use it to prolong her family's miserable existence a little longer.

More puzzling still, does anything really matter? We're dead much longer than we're alive and, once dead, earthly matters are of no significance to us. As Epicurus put it, "Death is nothing to us since, when we are, death has not come, and when death has come, we are not". Put another way, the dead have no earthly regrets. Why then should I worry about my neighbour?--a characteristic which dominates the profession of agricultural economics with its orientation to problems of efficiency, welfare and growth. I can see four reasons, all involving self-interest: first, concern for others may give us an income; second, it may make us feel good; third, our religion may demand it as part of Heaven's price; and fourth, our blood may run if we don't.

With that introduction to my own biases and professional puzzles, let me proceed to my unresearched assessment of our profession in Australia today and where it might go tomorrow. To give some order to my thoughts, I've chosen to attempt a SWOT analysis. This is not some fancy econometric analysis but a look in sequence at the profession's strengths, weaknesses, opportunities and threats as I see them.

Strengths

I have no trouble seeing plenty of strengths in our profession as it exists today. After a slow start through the first half of the century, the profession rapidly blossomed in the decades after World War II. Today it is well recognized in government, perhaps somewhat less so in industry. We are now strong in quality and quantity. Particularly in government, agricultural economists are achieving appropriate positions of influence. ABARE is a strong professional group and has served as the model and pacesetter for a variety of other research bureaux associated with Federal ministries. Likewise the IAC's rurally-oriented activities reflect well on the contribution of its agricultural economists. Nor today is there any State Department of Agriculture without a well-recognized agricultural economics section, nor any major farmer organization, farm-oriented QANGO or TANGO without an agricultural economist on its staff. Agribusiness has become a significant employer and we even have a goodly number of agricultural economists meeting the supreme test of the market as consultants.

Our professionalism is high as evidenced by the overall quality of our publications and reports, and by the international recognition accorded us by our peers overseas. Camaraderie in the profession is strong. We constitute a close-knit group, perhaps in part as a carryover from earlier struggles to achieve recognition in the face of antagonism from agricultural scientists and industry organizations with their vested interests. We have plenty of folklore and tradition, heroes and villains, and--to quote John Quilkey--are not short of characters to embroider the nostalgic lace. We owe a lot to our pioneers and founding professionals, particularly to Sir John Crawford in government, and to Keith Campbell, Fred Gruen, Frank Jarrett, Jack Lewis, Alan Lloyd, Ross Parish, Henry Schapper and Don Williams. They and others, such as Bruce Davidson, fought many a battle and bore much acrimony to establish our professionalism. We owe them a great debt. Not least they earned us the respect of economists, well evidenced by our participation in this Bicentenary Economics Congress.

As evidenced by the performance of our graduates, our training programs are strong. Some dozen or so tertiary institutions have reasonable programs in major areas of agricultural economics, including five or six university departments which have made their mark internationally across the spectrum of our discipline. Against heavy competition from all academic areas, the Federal Government has this year designated one of our training programs as a Key Centre in its first round of 15 awards nationwide. We are reasonably represented in such international agencies as the World Bank and its affiliates; less so in FAO which is more its loss than ours. In the major international agricultural research system constituted by the CGIAR, we are well and truly proportionally overrepresented, particularly in comparison to agricultural economists from North America and Europe. This is not because of opportunity cost but because of competence and training.

Not least we have the strength of a recognized problem-solving orientation. By virtue of our training and empirical orientation, we are seen as excellent applied economists. The fact is that our basic four-year training in agricultural economics at the major universities offering such programs is equivalent to a three-year B.Ec. degree plus a year of integrated training in applied economics which, perchance, happens to use agriculture as its training context. It is not surprising that, within a few years of graduation, many of our graduates are working outside agriculture. That is good. It means that as professional economists we have wide employment opportunities and the profession, as such, has greater turnover and more opportunity for new blood than it might otherwise have.

So much for our strengths as I see them today. What are our weaknesses?

Weaknesses

Some of our strengths, from another view, constitute weaknesses. I refer in particular to our acceptance of economics and its standard theory as our disciplinary basis.

We are totally addicted to price theory and give a preeminent role in our analyses to money prices. However, as any professional marketer involved in the nitty-gritty of marketing knows, whether with Coles Myer or Continental Grain Corporation, price is far from everything. Indeed, at the retail end of the agribusiness chain, expert opinion is that price only weighs about 25 per cent in consumer choice. Closer to home, how do we explain that I paid \$40 and heaps of mental anguish in order to hear myself talk tonight? Unless we better recognize non-price factors, I'm afraid we'll be exposed as irrelevant.

Too, because of our love and facility with the paradigm of price theory, I believe we have overemphasized the importance of markets at the expense of devoting adequate attention to institutions. Particularly, in visiting the developing world, no doubt because the contrasts there are

so stark, I have been impressed with the good, indeed unstoppable, functioning of markets and the poor functioning of institutions. In a sense, markets are endogenous and natural to any freely functioning economic system; institutions are exogenous and man-imposed. To be relevant and contribute more fruitfully to society, I believe we need to pay more attention to institutional frameworks. We need to do more in terms of appraising alternative institutional structures, carrying out--it might be said--benefit-cost or investment appraisal of institutional alternatives. In this regard I'm reminded of a statement made by a Vice President of India. I quote:

The question may well be asked why the prices of agricultural products rise every day. The answer is simple. Take milk. Time was when Mother milked the cows, the girls set the milk out in pans to bring the cream to the top, and one of the boys sold it from a handcart. Now the Department of Agriculture is mobilised, the cow sheds are sterilised, the cows are immunised, the milk is pasteurised and homogenised, the suppliers are motorised, the dairies are organised, the milkmen are unionised, milk product exports are subsidised, the political leaders are energised and the result is that the consumer is victimised. So milk is more expensive today.

There is one market, however, where we are particularly weak in our understanding and analysis. This is the political market or, if you like, the market for votes and power. Too often we do our classical analyses of problems in the policy area, suggesting solutions or improvements, and have them rejected as politically unsatisfactory. The easy way out is to curse the politician for his or her shortsightedness, vested interest, lack of principle, irrationality or whatever. But just as farmers are basically rational and efficient within the constraints under which they operate, so too I believe are politicians. It's just that they march to a different drum than we traditionally follow. I think we'd do better if we were on a better wavelength with them, not in the sense of being tame but in the sense of developing and using a theory of the political market so as to be able to appraise policy choices in a more pertinent way than we do now. That, of course, is something of a tall order but one for which, I am sure, there are leads from political science and doubtless also in the economics literature itself.

Another weakness arising from our acceptance of the economics paradigm, and to which I've already alluded in reference to myself, is the paradox of recognizing the impossibility of interpersonal comparisons of utility while striving for efficiency, welfare and growth. Too, I believe we are often incautious in our use of perfect competition as a standard for efficiency. The assumptions of perfect competition are never true. Information costs, uncertainty and subjectivity imply that net social benefit must always be something of a wild estimate.

Citing the weaknesses I've so far mentioned is perhaps unfair. They are all weaknesses in economics and can hardly be ascribed to agricultural economics *per se*. Nonetheless, at least in the areas of non-price market considerations, institutional appraisal and the political market for policies, I believe that with our empirical orientation we could be contributing to overcoming these weaknesses.

Though not peculiar to our profession, I also see a number of weaknesses of a housekeeping nature. In my view, which won't be news to many, our Society's journal has been captured for some years now by a clique of quantitative *cum* theoretical elitists. As an offering to their peers in the US or the USSR's All-Union Cybernetic Institute of Agricultural Economics it's probably great stuff. But as a service to the majority of the profession in Australia or as a medium to inform policy makers or the community at large, it is a public relations disaster. Doubtless the problem is deeper than this simplistic view but I do suggest we need to review the situation with a view to achieving greater

relevance and community impact. Not unrelatedly, I also believe we suffer a weakness in the paucity of our contact and liaison with farmers and agribusiness. Too many of us, whether in government or Academe, are deskbound and out of touch with the real world that we so assiduously model on our PCs. Part of this, I believe, goes back to the training arena where we pay too little attention to communication and people skills.

Likewise I see a weakness in our training with its emphasis on the niceties of the theory of the firm and supply, demand and price analysis. We have too little orientation to modern theories of management, marketing and organizational design and culture. It's as if we had blinkers on and thought only for those neat little diagrams we played with in our introductory production and price theory courses.

Finally I see a weakness in our provision of graduate training. For too long we've been constrained to the English and Continental system of higher degree training, particularly at the Ph.D. level. I have no doubt we would produce better Ph.Ds if we followed the North American system based on advanced coursework and a thesis rather than our present system of a research thesis only.

Opportunities

If dreams are what we wake up from, opportunities are what we should wake up to. Trouble is, however, I don't see too many opportunities. The major one perhaps is to recognize, serve, appraise and criticize the developing role and influence of agribusiness from farm gate (or within) to consumer plate. For too long, by tradition and work opportunity, we've been government-service oriented. Agribusiness, I believe, offers us the opportunity to break out of that mould, to enter and contribute to the commercial world. Corporate agribusiness, whether in its globalized-trading form or in its provision of on-farm services, is on the march and here to stay with the playing field levelled by advances in communications technology. Concomitantly, power in the market place is shifting from the producer to the consumer. Farmers will be under greater need to heed the market. That too will provide opportunities for the profession, not least in the financial institutions marketing to agriculture. The opportunities in agribusiness, however, will not lie so much in the research area as traditionally serviced but rather as market analysts, traders and marketers. Seizing the opportunity before it's captured by business schools will need some adjustments to our training programs.

Another opportunity is given by the developing community awareness and concern for environmental issues and sustainability of the land resource. Again, to seize this opportunity we will need to make some adjustments to our training programs and to better sensitize our thinking and analysis to non-price concerns.

Opportunity also exists, I believe, for us to contribute more of our professional skills and competence to Third World development. But that involves a significant element of personal choice so I won't dwell on it.

Lastly, I see the opportunity for us as a profession to enhance our contribution to society by marketing ourselves better through a program of public relations. This would involve a myriad of small things coordinated via a marketing plan. Some of the funds I presume are still stacked away in the Society's coffers might well be used to this end. I'm reminded of when Moses faced the problem of crossing the Red Sea. The best his scientific adviser could suggest was a six-month ecological impact study while his economics adviser could only suggest a six-month benefit-cost study. Being anxious to get across, in desperation Moses called in his PR adviser and got the sage advice that she didn't know how it might be done but that, if he were successful, she could guarantee him two pages

in the Bible. Like Moses we might also seize the opportunity of some PR, not least to counteract the major threat I believe we face.

Threats

In my assessment, we face two significant threats. One arises from our degree of dependence on government funding; the other from the dependence of our graduate training programs on overseas students. Taking the last first, we need Academe. At present it's virtually the only source of possibly independent research. To some extent that research capacity is diverted away from Australia by the interests of overseas graduate students and also by the availability of funding for overseas research from ACIAR. More significantly for the longer term, however, when overseas student numbers decline as demand decreases, the number of academic staff will also decline and the research capacity of Academe will be reduced.

The more important and immediate threat, however, lies in our dependence as a profession on funding sourced from government or from specific industry sources. There are two problems associated with such funding as presently arranged. First, and perhaps no more than a time-wasting irritant, there is the ever increasing thrust to bureaucratic procedures and pre-defined accountability associated with public funding. Research proposals now seem to need to include solutions to the problems it is proposed to study. And once funds are received it's a continual grind of progress reports and reviews. In short, bureaucracy gone mad. As has been well said, bureaucrats fatten themselves on the plate of responsibility. They want to make everything systematic. They can't stand individualism. As someone has said, while tyranny is usually imposed from the top down, a form of tyranny can also be imposed from the middle down and then on upward to the top. This kind of tyranny--bureaucratic despotism--is slow, nearly unnoticeable in its development, and remorseless in its final control.

The second problem associated with current funding arrangements is the inevitable loss of capacity for independence and freedom of enquiry that is engendered. Bureaucratic controls, of course, do nothing to lessen this problem. Our freedom of enquiry is at risk because today in Australia there are very few research fund possibilities that are not somehow tied to donors' needs as they perceive them. And those few that are not must pass the sieve of peer approval. While I see the need for contract and mission-oriented research, I also believe there should be good opportunity for unfettered research. As Hayek, Schultz, Pasour and others have argued, I believe there is a strong case for proved researchers having the opportunity to devote themselves to research in which they see the best chance of making a contribution. The vitality of our profession suffers if we have no chance to set at least a significant part of our research agenda. Under current arrangements we suffer at best from the biases of our peers and at worst from the dictates of vested interests.

More insidious and pervasive, though often not recognized, is the loss of independence through sponsored funding. We have become so inured to sponsored research and working for government that we take the imposition of goals and restraints for granted. We even murmur barely at all at the incongruity, indeed the blatant conflict of interest, of ABARE, with its role as a policy-advisory body, receiving support from industry trust funds. This topic of loss of independence and its implications for the integrity of our profession is one that needs thorough appraisal--though I doubt that we could find a sponsor for such a study or for the appraisal of alternative institutional arrangements. As Pasour has said, our freedom to be critical of institutions is heavily constrained by the pattern of power over the purse-strings. Maybe too often we are like Christopher Columbus who it is said must have been an economist. Why? Because he didn't know where he was going, he didn't know where he was when he got there, what he discovered was only by chance but yet inevitable once he started

and, to seal the fact, he travelled on public funds.

Let me end with a question. If Australia were to deregulate to the extent that Government no longer employed so many of us, what would happen to the profession? I have my thoughts on the matter but expect they are no better than yours. The big test, I expect, will be the attendance at the Society's Tricentenary Dinner.