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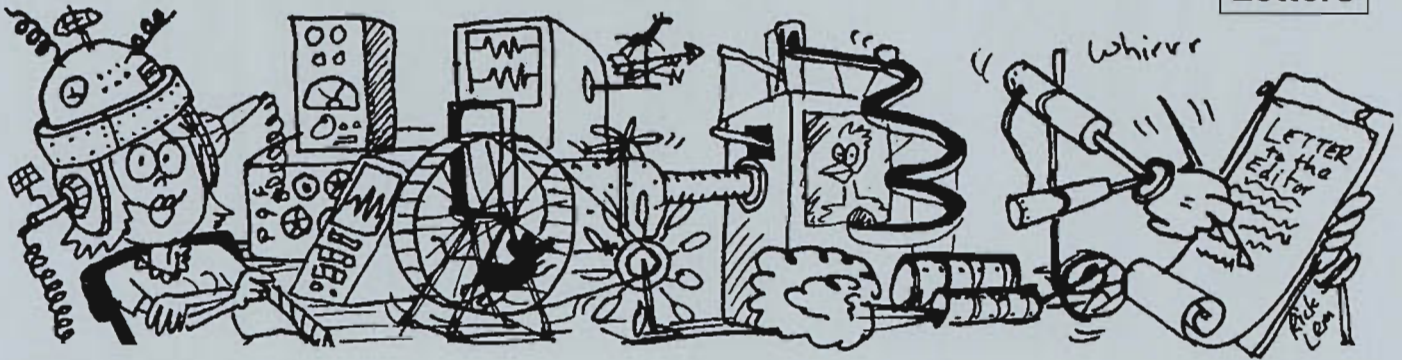
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## Economic Pathology

Latest cases may be the greatest

■ I have two comments on Don Paarlberg's engaging article (*CHOICES* Third quarter 1994) about six cases of economic pathology, and one idea that came to mind upon reading it.

Paarlberg says most economists look on the economy as self-equilibrating. He, as an institutionalist (I am one too), denies that happy premise. He cites the six historical examples of manifest disequilibria.

I suggest that only the neoclassicists of modern times adhere to an equilibrating model. My graduate school professors insisted that classicists never promised anything close to self-equilibration. The equilibration canard is the contribution of mathematicians; they don't like equations that explode or stagnate, and with a little searching they can find some that oscillate—that equilibrate.

Secondly, Paarlberg asks in his final paragraph whether markets will henceforth behave rationally enough to avoid repeating past "aberrations." He doubts they will. Although I can't know, as I write, what hog markets will do in the next year, they have already demonstrated notable "aberrations." Hog price swings in the last two years, first up and then sharply down, have been among the most extreme on record.

Furthermore, the taxonomy of the current hog scenario has more in common with two or three of Paarlberg's historical examples than most noninstitutionalists will admit. The overloading of markets and severe price break of 1994 resulted less from cyclical expansion than from a rash of new corporate investors that came close to

exhibiting a Dutch-tulip kind of mania.

The hog situation represents disequilibrium in a commodity market. I suggest that the most serious, and even alarming, disequilibria of our age lie not so much in conventional markets as in the modern economy's addiction to promising itself all sorts of future payoffs. First to come to mind are the entitlements of the modern welfare state, which are a mutual promise made via the instrument of government. But all privately floated bonds, stock shares, pension annuities, and so on are of the same category. Following the crudest of estimates, I once wrote that "the total obligation the present generation of Americans has laid on futures ones...probably amounts to about \$15 trillion. That sum averages to nearly a quarter million dollars for each family of four."

Unless future generations comport themselves with truly exceptional acumen, they could experience an economic pathology outdistancing any of Paarlberg's six examples.

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## Increased Social Capital More collaboration needed

■ My commendations to Lindon J. Robison and A. Allan Schmid (*CHOICES* Fourth Quarter 1994) for their stimulating article "Can Agriculture Prosper Without Increased Social Capital?" Robison and Schmid write of ethics. They examine the differences between social and antisocial behavior, manifested when we respect the rights of others and limit our individual freedom of action.

Ethics helps to define, as Johann K.

Bluntschli beautifully phrased it, "an existence worthy of human beings." Ethics produces a sense of community...of mutual caring. Collectively, the ethics, purposes, and behavior of individuals become social action, culminating in public policy and programs.

Individual motives and behavior affect, and are affected by, the institutional processes of society. As Robison and Schmid make clear, the fields of institutional and behavioral economics hold exciting possibilities for research into human behavior to aid public policy making.

I am reminded of Willard F. Mueller's visionary article "An Economist Looks at the Next Fifty Years of the Profession," published in 1960 in the *Journal of Farm Economics*. He urged us to undertake "the analysis of goals and values." He wrote: "Economists can do much toward identifying and untangling the economic factors, and perhaps even some noneconomic ones, which influence the attitudes, opinions and goals held by farm and non-farm people, as well as the intensity with which they are held."

Agricultural and resource economists should collaborate more often and more closely with social psychologists and sociologists to systematically study human, organizational, and community behavior along lines suggested by Robison and Schmid.

With the increasing diversity of cultures in our nation and the consequent differences in attitudes, opinions, goals, and values, we need many more such studies. We need to help people understand and better relate to each other (mutual caring) in our increasingly interdependent world.

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