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The Economics of Collective Action

A new look at John Commons

■ Alan Randall's article "A New Look at the Old Problem of Externalities" (First Quarter 1999) is so refreshing and pregnant with implications for better analysis of public issues and choices that I hesitate to do else but highly praise it. I hope Randall will forgive me for wishing he had devoted just another few paragraphs that, in my opinion, might have further stimulated the thinking of readers.

Randall seeks to address the economics of collective action in relation to the public issues and choices of 1999 and beyond. There was a much earlier economist who did the same for public issues and choices of his own era, and his name was John R. Commons (1862–1945). Commons was much revered by those who knew or studied under him, but he wrote about complex problems and his writings were hard to understand. He spent the last years of his life, assisted by Kenneth H. Parsons, trying to produce a summary statement that would guide future generations of economists. The result, Commons's *The Economics of Collective Action*, was published posthumously in 1950 and reprinted in 1970.

Then games theory, public choice theory, and new theories of property came along and seemed to supersede what Commons taught and wrote. Yet, here we are a half-century after publication of Commons's final work and, personally, I find him more relevant and valuable than ever. Over recent decades I have observed that games, public choice, and new property theories,

while necessary, are not sufficient. I suggest that Commons's thought is not superseded by, but is complementary to, the newer theories. Most especially, Commons provides what's missing from the newer theories: a well-thought-out economic rationale for *reasonableness* in collective action.

I urge the readers of *Choices* to revisit Commons's *The Economics of Collective Action*. Our profession needs to become reacquainted with Commons's line of thought since it offers much to public policy making in the next century.

Gerald F. Vaughn
Newark, Delaware

Debating the Merits Comment on "Obituary for a Farm Program"

■ From time to time in past years Don Paarlberg and I have sparred, always respectfully, regarding the merits of farm programs. Although our positions have not been polar opposites, he has been generally negative and I, positive.

Now Dr. Paarlberg writes, with considerable exultation, what is titled as an "Obituary for a Farm Program" (First Quarter 1999). The title is a misnomer. In his second paragraph he virtually disavows it. He admits that it is "not clear" that the program—by which he means the whole kit and caboodle of farm programs enacted since 1933—has really expired. He fervently hopes it has and lists five reasons for confidence.

Don Paarlberg is, however, not enamored of the 1996 farm law (FAIR). Paradoxically, it may contribute to the ending of farm programs by virtue of its flaws. One flaw Don names is that

the law's transition payments "require no particular performance on the part of the farmers" and in this respect "are on a par with welfare payments." I agree, but whether enough damage will be done to the image "of the farmer as a stalwart, hard-working, deserving entrepreneur" to block any restoration of farm programs is subject to question.

Paarlberg is, of course, highly pleased with the ending of acreage allotments. In that regard, I, too, believe the allotment scheme has truly ended. But production control has not; millions of acres are idled in the Conservation Reserve Program.

Don Paarlberg, even as perhaps a majority of agricultural economists, wants to be faithful to the laissez-faire philosophy that the farm economy, when left alone, is self-stabilizing. It is hard to find supporting evidence in happenings since 1996.

That faith has dimmed Don's appreciation of the positives in the farm program record. Except for a few types of tobacco, programs have never put agriculture in a straightjacket. They have only smoothed out some of the price and income valleys and lopped off peaks. Also, programs have provided a food reserve, not mentioned in Don's article. Beginning in the 1930s, a food stock was built up in a bumper crop year, to be drawn on in a year of short harvest or big needs. Likewise positive were the environmental aspects of programs that became prominent after 1985.

As I am generally supportive of programs of past years, I think it likely that for any program that emerges in 2002, the model will not be the 1996 law, which I have called "the worst ever," but the safety-net and environmental

content of the pre-1996 programs.

In his article Don Paarlberg recognizes the bearing of industrialization on both the structure of agriculture ("who will own and control?") and farm program objectives. He alleges that early programs were inappropriately rationalized as serving the interests of "traditional family farms." His reasoning is that agriculture was already being transformed to "the new industrial state."

Nay, not so. He jumps the gun. It is true that with the help of land grant experiment stations and extension services, scientific techniques had been introduced to agriculture. Those techniques, while increasing productivity, also added to farmers' financial risk and thereby had much to do with the initiation of farm programs and their continuing acceptance by a majority of farmers. But those were traditional "family" or, my preferred term, proprietary farmers. They were not yet, structurally, a part of a new industrial state.

Not until the middle of our century did structural industrialization—adoption of the corporate industry model—begin to take over. But poultry, where it first showed up, had not been a part of farm programs. The corporate industrial structure has surged only in the last ten years, notably via the patenting of germplasm of field crops.

The industrial structure does now bear on the future of farm programs. As I see it, if proprietary farmers disappear, so will the farm programs that were intended to succor them. If, on the other hand, substantial numbers survive, the farm program story will be the same as it has been for sixty-six years: in good times, farmers will disavow program aid; in bad times, they will beg for it. The 1996 FAIR law will essentially prove irrelevant.

Harold F. Breimyer
University of Missouri-Columbia

Agreeing to Disagree

Author's reply

■ Harold Breimyer and I have long had a running dispute regarding farm programs, he supporting them and I

attacking them. This dispute, which has smoldered in recent years, has been rekindled by my article "Obituary for a Farm Program."

Harold accuses me of trying to be faithful to the laissez-faire philosophy that the farm economy, when left alone, is self-stabilizing. On the contrary, I have supported various government interventions in the market, namely, the Rural Development Programs, Food for Peace, the Farm Credit Administration, the Conservation Reserve, and nonre-course loans at modest levels. My objection has been to the supply-management aspect of these programs.

In my article I accuse the supply-management aspect of these programs as being based on an erroneous diagnosis, namely, that the problem was a surplus of crops. My contention is that the real problem was a shortage of money. This basic difference between us escapes Harold's attention. I believe that supply control was based on poor diagnosis, which led to flawed prescriptions. The best thing about the dispute between Harold and me is that we can disagree without being disagreeable.

Don Paarlberg
Purdue University

Livestock Waste Regulation

Authors' clarification

■ We would like to clarify some misinterpretations of our article, "Rethinking Regulation of Animal Agriculture" (Second Quarter 1999). The purpose of our article was to illustrate the complexities of designing efficient and effective livestock waste regulations and to demonstrate the weaknesses of a "one size fits all" policy. Our intent was to raise awareness of current federal policy and the issues under debate, and not to prescribe any definitive course of action. Our article was not about enforcement of regulations, nor are we advocating a massive and intrusive enforcement policy, as suggested in an accompanying article by Robert Innes ("Regulating Livestock Waste: An Economic Perspective.") The government does not need to observe everything to justify

setting regulations, as their effectiveness would not be entirely driven by the degree to which they can be enforced. Rather, regulations often serve to clarify liability for environmental damage. Further, we want to emphasize that the views expressed in the article are entirely ours, and not those of the federal government.

Sabrina Isé Lovell and
Peter J. Kuch

The Failure of Multiyear Hedge-to-Arrive Contracts

Risky business

■ In the First Quarter 1999 issue of *Choices*, Lence, Hayenga, and Harl did an admirable job explaining what went wrong in the short 1995 crop hedge-to-arrive contract debacle. The pitfalls one can encounter and the amount of money one can lose selling old-crop futures to price new-crop grain cannot be overemphasized. As the 1995–96 market year clearly illustrated, the old-crop/new-crop futures price-spread risk can be phenomenally high.

John Otte
Farm Progress Publications

Benefit-Cost Analysis

The problem with constraints

■ Alan Randall's generally sensible discussion of benefit-cost analysis (Second Quarter 1999) becomes distinctly less helpful when he suggests "a benefit-cost rule subject to constraints" as a way of coping with issues where overriding moral concerns are threatened. This approach says we should make decisions about some proposals without the necessity of meeting any benefit-cost criterion. He mentions ensuring the survival of a renewable resource as a possible example. A serious problem with constraining benefit-cost analysis to exclude such a category is that people disagree over what counts as an overriding moral concern. A whole range of cultural and religious disagreements on fundamental matters come into play. A second problem is that if many policy areas get excluded from benefit-cost scrutiny, decisions will have to be made

about incompatibilities and resource allocation within the set of privileged policy areas. Any political decision mechanism is going to have to deal somehow with such incompatibilities, and allocation of resources among priorities. No method of making these tough decisions has so far proven highly successful, but I believe the widest possible expansion of benefit-cost analysis offers the best hope. It forces all parties to try to justify their proposals that use scarce resources in a way that can be weighed against competing claims, notwithstanding that the common denominator that makes this approach possible is assignment to all options of at least a ranking in terms of dollar value. If there were some nonmonetary way to place all competing claims on a commensurable scale, that would be well worth considering. But in the absence of a proposal for how to do this, it is counterproductive to propose giving a subset of choices the privilege that Randall suggests, without providing operational criteria for deciding what policy choices get this privilege and at least some idea of how to choose among alternatives within the privileged set.

Bruce L. Gardner
University of Maryland

Author's response

■ In "Why Benefits and Costs Matter," I was interested mostly in searching for reasons why a society of diverse moral agents might take benefit-cost analysis (BCA) seriously. Not surpris-

ingly, my search led also to reasons why the influence of BCA will not be unlimited. For those economists committed to the widest possible expansion of benefit-cost analysis, my article is useful not so much to redirect their efforts—it is good that society includes articulate spokespersons promoting a prominent public role for BCA—but to help them understand why their recommendations meet with principled objections and reservations, as well as the self-serving kind.

Rent-seeking is real, and benefit-cost analysis gets much of its support from a broad recognition, among people with quite different moral perspectives and practical concerns, of its usefulness in exposing wasteful rent-seeking. But politics, broadly defined (the public life), is not just about rent-seeking. The same process that distributes rents provides also the means for addressing serious moral issues in public life. When people disagree over what counts as an overriding moral concern, it is the essential role of political institutions to resolve some of these disagreements and to find ways of living with those that remain. Public discourse is still the state-of-the-art means of addressing the big moral issues, whereas BC analysis may well have a comparative advantage in identifying the trade-offs necessary for maximizing net benefits within constraints adopted for good reasons.

Alan Randall
The Ohio State University

Karnal Bunt

A geographical revision and a vote to quench the quarantine

■ I have one correction to make in the otherwise informative article on Karnal bunt by Beattie and Biggerstaff (Second Quarter 1999). The article states that "...wheat-Kb spores [were found] in several southeastern states..." The initial survey by USDA's Animal and Plant Health Inspection Service in 1996 claimed that *Tilletia indica* spores were found in Georgia, Florida, Alabama, and Tennessee. However, these were later determined to be spores from ryegrass growing as a weed in wheat fields. These spores are identical to the Kb-like spores found in Oregon ryegrass. I have found this bunt fungus, now named *Tilletia walkeri*, to be widespread in the Southeast (Plant Disease 83:685-689). All collections have been identified as *T. walkeri*, and *T. indica* has not been found in the region. We in the Southeast were faced with the possibility of a quarantine similar to that imposed in the Desert Southwest. Quick action by agribusiness leaders to get accurate information from government officials and the work of many scientists at land grant universities and the USDA put the pieces of the puzzle together that prevented an unnecessary disruption of commerce. We in the Southeast agree with the authors that the quarantine on Karnal bunt should be lifted.

Barry M. Cunfer
Professor of plant pathology
The University of Georgia

Findings Citations

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Note: *AJAE* is the *American Journal of Agricultural Economics*, *LE* is *Land Economics*, and *JARE* is the *Journal of Agricultural and Resource Economics*.