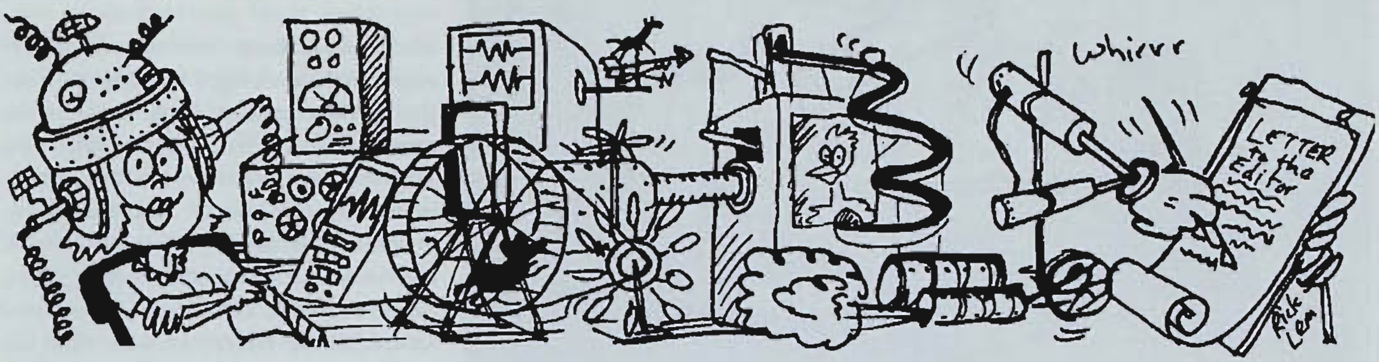
Letters



"How Economists Keep Their Jobs"
Two points

■ I was intrigued that Dobson and Luby pointed out that J.T. Bonnen had pointed out in the *American Journal of Agricultural Economics* that land grant university administrators now believe they need social science help, but have discovered that agricultural economists are unresponsive, spend time publishing for a national audience of other agricultural economists, and are not interested in working on the real problems at the state and local level.

Point one. It is well that land grant university administrators recognize they need social science help. But it should be no discovery that ag economists are unresponsive to working on real problems. That's because the academic structure has, for generations, rewarded more highly those economists who publish for the national academic audience than those who work on practical problems.

Dobson and Luby reigned up short of outlining changes administrators ought to make in the university rewards structure to encourage assistant and associate professors to solve practical problems. The authors ought to think on it some, then crank up their word processors, and report it.

Point two. I read the comment attributed to Bonnen in *CHOICES*, not the *Journal*. I would hypothesize that means *CHOICES* reaches other folk, like me, who are not tuned into the *Journal*. I believe that is what the association intended.

John Otte
6200 Aurora Avenue
Des Moines, IA

"How Economists Keep Their Jobs"
A call for balanced incentives

■ Dobson and Luby (*CHOICES* Second Quarter 1994) state "The major lesson emerging from experiences of business economists for university agricultural economists and the ERS is to become responsive [to the demands of constituents] or get smaller..." They also note "Current incentives reward publishing for a national audience of other agricultural economists..." This latter point deserves elaboration.

According to Dobson and Luby, objectives and incentives are well-matched in the private sector. This seems less true in the land grant system. Administrators say that resources should be reallocated to emphasize interdisciplinary research relevant to societal problems and to improve the quality of teaching. Yet, in a number of institutions, refereed journal articles, published in "prestigious" journals, seem to be the most important criterion for evaluating faculty and the quality of departments. Promotion requires that faculty be the sole or major author of papers.

We, the faculty, encourage this view. Our measures of quality are one-dimensional. For example, graduate programs were ranked using the opinions of "leading" agricultural economists, and one of the few statistically important variables, explaining the rankings, was the number of pages published in *AJAE* per departmental faculty member (Perry, *Review of Agricultural Economics*, May 1994). Both faculty and administrators like to point to the distinction of their departments, which is commonly measured by the number of pages published in leading journals (or by factors highly associated with such a measure).

If other kinds of output are as valuable as disciplinary research, then incentives for providing them are required. It is possible to encourage outcomes consistent with the broader goals professed by the land grant system. Cornell University, for example, has made progress in creating a climate that encourages outstanding teaching. One result is a large number of satisfied alumni, many of whom express their satisfaction by supporting departmental and college programs. Well-educated, satisfied alumni may provide less professional recognition than journal articles, but the rewards to teachers, departments, colleges, and society from high quality teaching are enormous.

Dobson and Luby's point on niche marketing strategies is consistent with a broader range of incentives. The MS degree with thesis can provide a student with a valuable experience in problem solving and writing under faculty supervision, an experience not available in MBA programs. Typically, MS thesis research does not provide the basis for an article in a leading journal, but it can provide useful results for specific problems, extension programs, and may very well be publishable in a regional or specialized journal. One contrasts these benefits with the incentives to abandon master's programs or to make them nonthesis programs.

I do not oppose research for peers. Contributions at the frontiers of knowledge are important, and the potential synergisms among teaching, extension, and research are real. The issue is one of balance across functions and types of research. If this balance means somewhat fewer journal articles are published, faculty and administrators must be confident that the change does not imply a decline in quality. Applied research, directly useful to society and perhaps reported in a regional journal, would equal in importance basic research, mostly useful to peers and reported in a national journal.

Since shifts like those discussed above are likely to involve risks to the perceived quality of departments and to faculty rewards, they will be controversial, and major changes will be difficult to achieve. But if change is needed, faculty and administrators in land grant universities must work to assure that incentives are matched with their stated mission and objectives.

William G. Tomek
Cornell University

"How Economists Keep Their Jobs"

The case of production departments

■ Dobson and Luby's lessons for agricultural economists and their institutions in the Second Quarter 1994 *CHOICES* were on target, but should be extended to include thoughts on the problems of placing economists within production departments and action agencies. Within universities and the government, our input and production are not necessarily the same as when working within a company. Our goal should be not only the production of a more efficient widget, or corporate profits, but must also be the creation of new knowledge, techniques, objective distribution of knowledge, the imparting of critical thinking, and to retain an outside objective viewpoint. We must listen to the market. We must listen and respond to the needs of our production departments at the university, as well as to farmers, extension agents, parents, students, and the state legislature at the university and other agencies, and Congress if we are in ERS. Departments must review the changing demand for and the training of our graduates. Our graduates may not need to look like us or what we think we look like as a profession. Dobson and Luby's comments should be reviewed by those of us working with the undergraduate programs to see how we can better fulfill the niches and demands that are available to our graduates.

However, I would hope that we also understand the need to educate deans, secretaries of agriculture, and others that there are many advantages of having departments and ERS to tackle policy, ethical, and moral issues, and to integrate these issues beyond the needs of a single agency or crop or animal product. I would also hope that we would understand that economists in production departments might also become captives of the department and the sector that they serve. Having worked as in-house corporate counsel on capital hill for three agencies of USDA, and now at the university-level, let me use antidotal stories to make my point. A critical mass of economists is necessary to nurture the professional advancement of the subject matter and to provide critical review of ideas and work. I predict that this professionalism will suffer in terms of quality and objectivity of work if the economists are assigned to production or action agencies/departments of universities and the USDA. A friend of mine who practices law has many hospitals as clients. When I asked him if he was not worried that his large billings would encourage the hospital to secure in-house counsel and cost him his business, he replied, only for a year or so. After that, he figures the clients would be back, as in-house counsel would be caught between different factions and would not be in a position to give advice that was contrary to the manager/employer. I am not sure agencies or universities would respond to their mistake that soon. Are in-house economists likely to remain as objective if they perceive that their production department or agency is on the line? We all know the oleomargarine versus butter study result of some years past. Would it have seen the light of day if the economists were members of the Dairy Husbandry Department? Will in-house economists feel free to tell the industry that they need to make major structural changes? Will the head of the production department bury the unpopular economic report that disputes the wishes of the production department and their industrial clientele?

We should go to the production departments and do hands-on economic analysis, help make decisions that will then help consumers, farmers, and industry in our states. We should seek out the opportunity to have a real impact on shaping the industry and shaping the environment. But we must go and work with the departments and industry, and not become captives. In the study "The Academic Profession: An International Perspective," many faculty complained that higher education does not encourage "real life" practical work and that one in three professors indicated that there were political or ideological restrictions on what he/she published. Think what restrictions economists sitting in a production department might have on objectivity.

The good news is that my department has encouraged work on issues important to the state, rewarded the work, and has encouraged cross-departmental work within the framework of professionalism. As my colleagues can attest, it is not always easy to tell the industry that it makes no economic sense to build a packing plant for beef or sheep. (It is hard to resist "I told you so" when it fails.) On the margin, good economists and good departments are always adjusting.

L. Leon Geyer
Virginia Tech & visiting professor,
Faculty of Law
University of New Brunswick

On Sugar Subsidies
The author responds

■ Regarding sugar subsidies depicted in "Graphically Speaking," First Quarter 1994, Ravnholt argues in a letter to the editor (Third Quarter 1994) that despite the reported 60 percent Producer Subsidy Equivalent (PSE) for sugar, there is no sugar subsidy, because the U.S. sugar price is not higher than the price that might prevail in a free trade situation, based on Schmitz's research, and because the U.S. consumers pay less than the average world retail price for sugar, based on USDA surveys.

Schmitz's free trade price estimate appears to depend on the modeling assumption that all countries eliminate sugar policies (Schmitz and Vercammen, Working Paper No. 563, University of California, Giannini Foundation 1990). When just the U.S. sugar policy is examined using the same model, however, U.S. producers benefit from an estimated 72 percent increase in price relative to the world price (tables 16 and 20 in Schmitz and Vercammen). The U.S. percentage PSE estimated from this modeling data is 48 percent. Using these data and alternative welfare measures explained by Leu, Schmitz, and Knutson, who also estimated positive producer gains (*AJAE*, August 1987), I calculated U.S. sugar producers' gain equal to 36 percent of value of production.

Retail sugar prices in U.S. cities are lower than the prices in some major cities around the world. This is explained by the fact that other countries have even higher price support levels than the U.S. High price supports make Consumer Subsidy Equivalents (CSEs) large and negative. CSEs for 1992 from the Organization for Economic Cooperation and Development (OECD) demonstrate that the U.S. consumers' benefit from sugar price policy is negative (–48 percent), but smaller, absolutely, than in some other countries (OECD, *Agricultural Policies, Markets, and Trade-Monitoring and Outlook 1994*).

Ravnholt states that the world reference price used for the PSE does not determine producer income nor consumer prices around the world. But he also states that Canadians have "free access to world price sugar." Cuba and Brazil also participate in the world market, and EU returns are influenced by the payment of levies to finance export subsides.

For a comparison of U.S. and Mexico price support levels, mentioned by Ravnholt, refer to the research of Buzzanell and Lord: USDA Agricultural Information Bulletin No. 655, April 1993. For other sugar dialogue, see *CHOICES* going back to 1986.

Frederick J. Nelson
Economic Research Service,
USDA

Farm Operator Succession
Tired reprise

■ Luther Tweeten and Carl Zulauf's article "Is Farm Operator Succession a Problem?" (*CHOICES* Second Quarter 1994) presents a specious analysis of farm succession issues. The authors' classification cliché of "commercial" and "noncommercial" farms ignores the significant contribution by smaller farms to total agricultural production and to agriculture's infrastructure and leads to the tired and inaccurate reprise that "most small farms lose money farming," "small farmers need few management skills," "small farms aren't sustainable without subsidies," and "the United States has had too many farmers."

Rural communities and all of society will be better off with a farm structure that is characterized by family-owned-and-operated farms that are entrepreneurial in spirit, technologically progressive, dispersed in ownership, diversified in enterprises, and resource conserving. Those objectives won't be met under a system that only strives to ensure a perpetuation of the so-called "commercial" farms so glowingly described by the authors. Since Tweeten and Zulauf find unimportant the question of how to respond to the need to replace the thousands of farmers who now live and work in rural America, it is not surprising they reach the conclusion they do. In fact, there exists a critical need to encourage, recruit, and train a new generation of farmers for *all* the nation's farms.

Nancy L. Thompson
Center for Rural Affairs

Kathryn Ruhf
New England Small Farm Institute

Farm Operator Succession
Commercial/Noncommercial division "disturbing"

■ Tweeten and Zulauf (*CHOICES* Second Quarter 1994) have convinced me that farm operator succession is not a problem—that the market will properly allocate human capital (even if it must go beyond the replacement pool of "farm raised males") and that policy intervention into the matter is unwarranted. I'm relieved.

But their division of commercial activity by farm sales volume is disturbing. Commerce is the buying and selling of goods and accompanying transactions. The Supreme Court ruled that production is commerce. "Noncommercial" farmers dispose of their goods largely in the same markets as their "commercial" cohorts. The 70+ percent of wheat producers with sales of less than $100,000 certainly do.

If losing money is a criterion of noncommercial activity, should we call the airline industry "noncommercial"? How about General Motors for three of the past five years, or cattle feeders for most of the past eighteen months? Tweeten and Zulauf's suggestion that noncommercials farm for the way of life, rural amenities, and tax considerations is weak at best. We all consider these and other affective factors when choosing our professions; to suggest that 85 percent of any sector or industry is engaged for "pleasurable activity" paid for by outside income stretches the imagination.

Henry M. Bahn
USDA

Farm Operator Succession
The authors respond

■ Thompson and Ruhf and Bahn question our division of farms into commercial and noncommercial classes. Our principal objective was to examine farm succession from the viewpoint of food security, as well as to argue that farm succession confronts different constraints on large than on small farms. Commercial farms (sales over $100,000) account for three-fourths of farm output. Our terminology is conventional and not intended to be normative. Nevertheless, we agree with the authors that a new conventional taxonomy is desirable.

Thompson and Ruhf contend that most small farm operators make money farming. According to the USDA's Ahearn, Perry, and El-Osta, 68–70 percent of operator households on farms with under $50,000 of sales in 1988 and 1990 had negative farm income (no separate data are available for $50,000–$100,000 sales). Furthermore, these numbers overestimate profitability because they do not include all economic costs such as opportunity cost of unpaid farm operator and family labor, management, and equity capital. These observations suggest that one taxonomy is to identify farms as internally sustainable (IS).

Thompson and Ruhf go on to say that "rural communities and all of society will be better off with a farm structure that is characterized by family owned and operated farms that are entrepreneurial in spirit, technologically progressive, dispersed in ownership, diversified in enterprise, and resource conserving." *We agree.* But evidence is convincing that IS family farms (approximate sales of $100,000 or more) are more entrepreneurial (adopting new financial strategies, etc.), technologically progressive (adopting new cost-saving technologies, using futures markets, computers, etc.), dispersed in ownership (often part owners, operating over more than one stage of the food chain, geographically dispersed, etc.), diversified in enterprises (IS farms have more enterprises, at least in Ohio), and more resource conserving (employ more conservation tillage, less petroleum and aggregate input per unit of output, etc.).

Thompson and Ruhf want to encourage, recruit, and train a new generation of farmers. We also call for training, but urge caution. Encouraging and recruiting youth to expect an economically sustainable return from uneconomical size farms does them no service.

Luther Tweeten and Carl Zulauf

Findings Citations

Hurd, B., "Yield Response and Production Risk: An Analysis of Integrated Pest Management in Cotton," *JARE*, December 1994. Harper, J. et. al, "Developing Flexible Economic Thresholds for Pest Management Using Dynamic Programming," *JAAE*, July 1994. Shumway, C. R., and R. Chesser, "Pesticide Tax, Cropping Patterns, and Water Quality in South Central Texas," *JAAE*, July 1994. Selden, T., and D. Song, "Environmental Quality and Development: Is there a Kuznets Curve for Air Pollution Emissions?" *JEEM*, September 1994. Helmberger, P., and Y. Chen, "Economic Effects of U.S. Dairy Programs," *JARE*, December 1994. Adam, B., P. Kenkel, and K. Anderson, "The Economics of Cleaning Winter Wheat for Export: An Evaluation of Proposed Federal Clean Grain Standards," *JARE*, December 1994. Fulginiti, L., and R. Perrin, "Interventions and Production Sector Waste in LDC Agriculture," *JARE*, December 1994. Gould, B., and H. Lin, "Nutrition Information and Household Dietary Fat Intake," *JARE*, December 1994.

Note: *JAAE* is the *Journal of Agriculture and Applied Economics*, *JARE* is the *Journal of Agricultural and Resource Economics, JEEM* is the *Journal of Environmental Economics and Management.*