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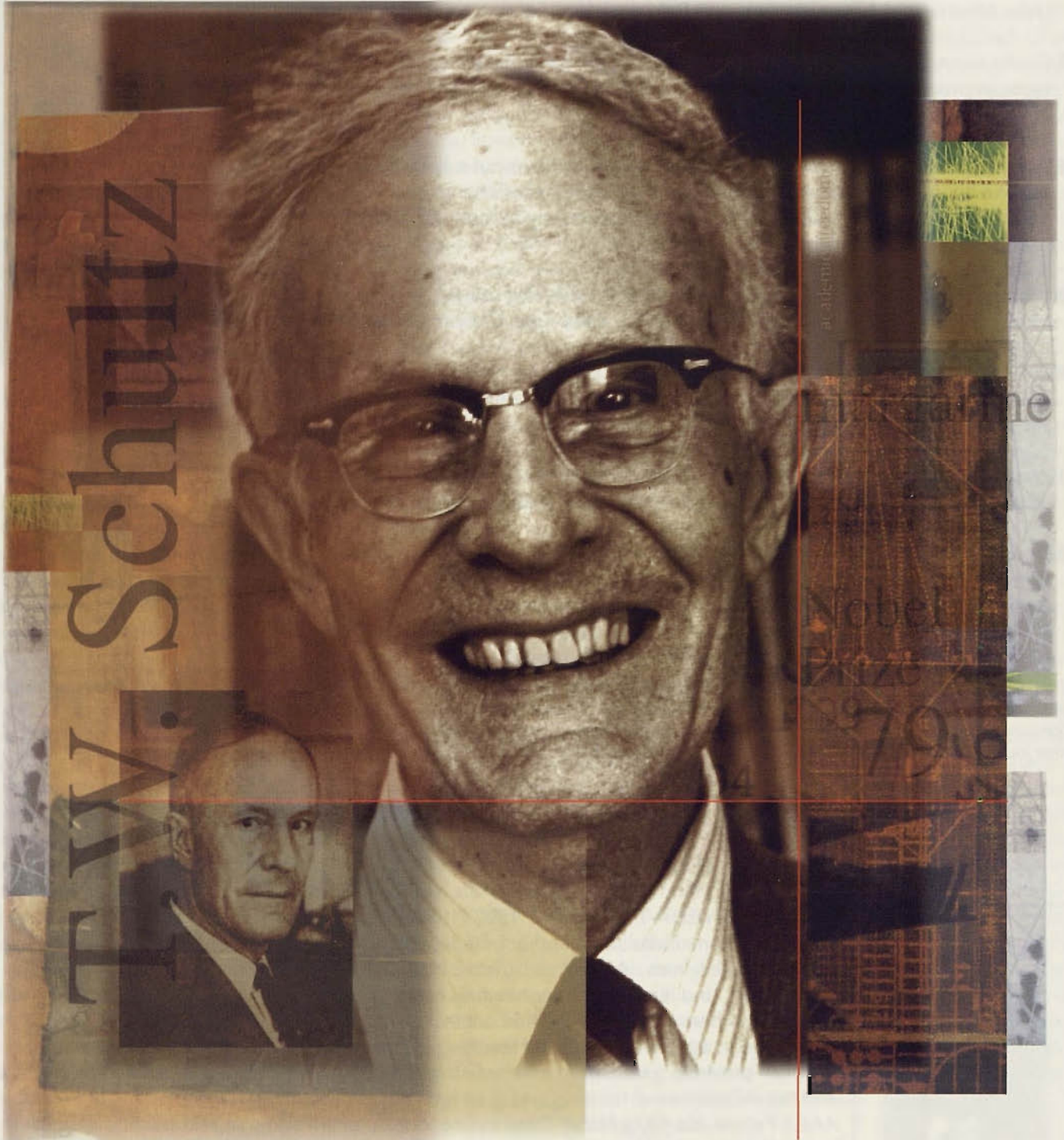
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CHOICES

Second Quarter 1998



T.W. Schultz, academic freedom, and public controversy

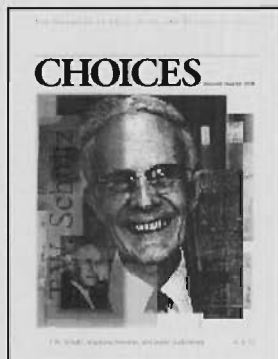
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Findings

What agricultural and resource economists are finding about food, farm, and resource issues.*

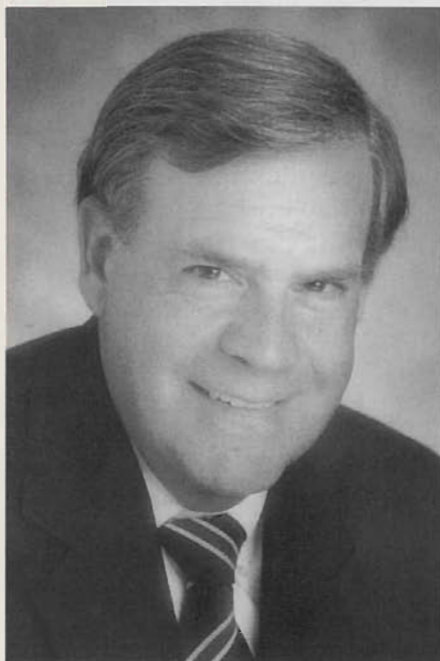
- **CHINA'S GRAIN IMPORTS.** Over time, China will likely import more and more grain because of rising domestic incomes, a growing population, and economic forces which work against relatively land-intensive grain production—says Carter.
- **CLIMATE CHANGE AND AGRICULTURE.** Climate change will cause relatively small economic impacts on U.S. agriculture, but associated land use changes, dislocation of farm communities, and wildlife habitat effects could be quite severe—say Lewandrowski and Schimmelpfennig.
- **OZONE AND AGRICULTURE.** Controlling air pollution in California's San Joaquin Valley will reduce ozone concentrations, improve crop yields, and improve health enough to outweigh the costs of pollution control—say Kim, Helfand, and Howitt.
- **FENCING THE RANGE.** Although some states still have fence-out rules which absolve ranchers from damages caused by roaming livestock, an economic assessment of changing land use and an inquiry into constitutional due process suggest that a switch to fence-in laws may be both economically and legally justified in some cases—say Centner and Griffin.
- **NUTRITION INFORMATION AND HEALTH.** Consumers absorb and use information linking diet and health and, as a result, have gradually shifted to more healthful diets—say Variyam, Blaylock, and Smallwood.
- **DAIRY ADVERTISING.** For the period 1984–93, reducing the share of generic milk advertising dollars going to TV and increasing the share to print, radio, and outdoor advertising would have increased dairy farm profits—say Pritchett, Liu, and Kaiser.
- **WATER MANAGEMENT POLICY.** At least for Washington's Walla Walla River Basin, water markets provide a cost-effective alternative for streamflow augmentation—say Willis and Whittlesey.
- **MORE WATER MANAGEMENT POLICY.** In the Snake River Basin, ten-year contracts with irrigation farmers to release portions of their stored water supplies could improve streamflow for salmon recovery at relatively modest cost and without long-term retirement of existing irrigated acreage—say Willis, Caldas, Frasier, Whittlesey, and Hamilton.

*Findings are taken from recently or soon-to-be published research in the *American Journal of Agricultural Economics*, *Journal of Agricultural and Resource Economics*, *Review of Agricultural Economics*, *Journal of Agricultural and Applied Economics*, *Agricultural and Resource Economics Review*, *Land Economics*, *Journal of Environmental Economics and Management*, *Agribusiness—An International Journal*, and other journals which publish the research findings of agricultural and resource economists. Abbreviated citations are found on page 41.



ON OUR COVER—T.W. Schultz, 1902–1998, greatly influenced the way we think about and act on agricultural development, trade, education, research, and technology—all to enrich people's lives. As professor, advisor, and administrator, his incisive intellect, imagination, and leadership meaningfully helped students, government agencies, foundations, and others with whom he had contact. The human capital which Schultz himself developed in others—through his teaching, writing, and interaction with so many people—provides a treasured and lasting legacy. On our cover, we celebrate T.W. Schultz and the milestones of his long and illustrious career, including his 1957 induction as an AAEA Fellow, his 1979 Nobel Prize in Economics, and his role as a champion of academic freedom. Articles in this issue tell about Schultz and the infamous Pamphlet No. 5, as well as more recent issues of controversy in agriculture.

Trade: An Action-Oriented Agenda



Richard L. Gady is vice president of public affairs and chief economist at ConAgra, Inc.

International trade has arguably been the key contributor to a higher standard of living and full employment in the United States. Over two million jobs depend on exports. Trade has been credited with boosting U.S. economic growth by 30 percent, increasing incomes by 10–15 percent, generating 200–300 thousand new jobs annually, and helping promote U.S. influence globally. The impact of trade on agriculture has been especially profound, with well over 20 percent of our country's agricultural production shipped and consumed elsewhere. This demand employs millions of acres of farmland, hundreds of food facilities, and creates thousands of food-related jobs.

A major accomplishment of the Reagan, Bush, and Clinton administrations has been the promotion of freer trade and moving agricultural trade into a world trading discipline. The process started with the Uruguay Trade Round which included agriculture for the first time, and proceeded with the negotiation of the Canadian Free Trade Agree-

ment and the North American Free Trade Agreement. The breakup of the Former Soviet Union helped create an environment of freer economies around the world and a more liberalized trading environment. Average tariffs have fallen from over 40 percent to just 6 percent in industrialized countries. U.S. agricultural exports responded to this by increasing from \$26 billion in 1986 to an all time high of \$60.3 billion in 1996.

Success, however, often brings complacency, or even worse. Rather than attracting accolades, freer trade has resulted in media stories that focus on the negatives. Trade has fallen prey to growing criticism from both the left and the right, who either blame trade for problems in their areas of concern or view trade agreements as vehicles to press other agendas. Ross Perot's campaign warning of the giant "sucking sound" to the south seems to have persisted, even though our agricultural exports to Mexico have flourished as that economy recovered. Trade has been a win-win for both economies, but this is not the vision that has been accepted by many. As a result, the votes for passing Fast Track legislation last year were lacking, and progress in updating NAFTA and the World Trade Organization has stalled. The U.S. is in danger not only of losing its leadership position in championing freer world trade but also allowing the free trade process to retreat from progress made in recent years. There is no apparent successor to pick up the free trade ball if we drop it.

U.S. agriculture cannot afford to sit back and allow the trade process to degenerate. Today, 95 percent of the world's population lives outside the borders of the United States. Even though devaluations and recession have slowed growth in much of Asia, most expect those economies will be back on track in two to four years. Improving diets (meaning improving meat demand) coupled with a larger growing population base should create an excellent market for agricultural products in the

future. Reliance on the domestic market will not secure U.S. agriculture's place in the world agricultural system.

A major step that we in agriculture can make to help move the trade negotiation process forward again is to take trade-related education beyond the classroom. There is a broad lack of understanding of comparative advantage. Freer trade is not a zero sum game. Both trading partners can benefit from trade. Furthermore, freer trade is not negative for the labor and environmental movements. Globalization is not to blame for slower wage growth. A recent Brookings study concludes that freer trade creates better jobs, promotes faster growth, and provides a greater variety of goods and services at lower prices for American consumers. Globalization does not lead to environmental degradation. The opposite is true. Trade fosters economic development, which leads to slower population growth and better environmental practices.

Beyond this, we need to encourage lawmakers and regulatory agencies to see their actions through the prism of international trade. What they do on tax legislation, regulatory requirements, environmental constraints, and legal liability issues affects trade and comparative advantage.

Finally, we need to pass Fast Track legislation. Recent trade agreements may have been flawed. Mistakes happen in trade agreements as they do anywhere, and many issues need to be renegotiated over time. However, without Fast Track authority, these negotiations will not happen. Time is running short. New World Trade Organization negotiations are scheduled to begin next year. Other countries are negotiating to strike their own regional deals, which leave out the U.S. and harm U.S. exports. Our country has invested too much in the cause of trade liberalization to relinquish our leadership now.

Richard Gady

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Duram

Raymond R. Beneke is professor emeritus at Iowa State University. Beneke was among those young students lured to the Department of Economics at Iowa State College by T.W. Schultz. Schultz left Iowa State before Beneke took him up on the offered assistantship, but his presence, as Beneke says in his article on Schultz and the infamous Pamphlet No. 5 in this issue, was pervasive. Beneke became department head at Iowa State University in 1972. He was secretary-treasurer of the American Agricultural Economics Association from 1984 to 1993, and was inducted as a fellow of the association in 1996.

After twenty-nine years at Washington State University, the last seven as chair of the Department of Agricultural Economics, **James C. Barron** retired in June 1997. Prior to that he had been an extension economist, working on public policy education. He also served as an extension administrator in the 1980s. He has had experience in dealing with controversy over research and extension programs in all of those roles, a subject he explores in his article this quarter. From 1975 to 1977 he was a senior lecturer at the University of Ghana with USAID support to develop a master's degree program in agricultural administration.

Iowa State University Professor of Economics **Marvin L. Hayenga** specializes in agricultural marketing, including the changing structure and organization of the food and agriculture sector, commodity market risk

management, legal economics, and the economics of biotechnology. Hayenga served as agricultural marketing and futures market consultant and expert witness for the defendants in the *Texas Beef Group v. Oprah Winfrey* trial, and writes about the experience and the ramifications for "Veggie Libel Law" in this issue.

Luther Tweeten is the Anderson Professor of Agricultural Marketing, Policy, and Trade at The Ohio State University. He has farming interests in Iowa. These are non-profit, although they were not intended to be. He holds teaching, research, and extension appointments and works in fields ranging from agricultural trade and policy to global food security. He believes economics should be fun and taken seriously, but that we should not take ourselves too seriously. He is former president and a fellow of the American Agricultural Economics Association.

Carl Zulauf is the Francis B. McCormick Professor of Agricultural Marketing and Policy at The Ohio State University. He has teaching and research responsibilities in the areas of agricultural policy and futures and options markets. Zulauf was raised on a farm 60 miles north of Columbus, Ohio, and still retains a business interest in the farm, primarily as a landowner. Zulauf has published numerous articles in the areas of agricultural policy, structural change, and futures and options markets. He says he enjoys predicting the future but accepts that the value of think-

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ing about the future is in the thinking, not in being right.

Warren Johnston is professor emeritus (on recall) in the Department of Agricultural and Resource Economics at the University of California, Davis. His research interests are in natural resources and commercial agriculture, and especially the economic and policy interfaces between those two interests. Johnston is the outgoing academic vice president of the American Society of Farm Managers and Rural Appraisers.

After receiving a PhD from the University of Minnesota in 1962, **Lyle Schertz** was drawn to the U.S. Department of Agriculture by his interest in trade negotiations. In the following years his efforts to bring economics to policy decisions reached across many other USDA activities, including international technical assistance, pesticide registration, land use, commodity policy, farm structure, and rural development. Schertz's most widely recognized contribution to the agricultural economics profession is his work as founding editor of *Choices*.

Keith J. Collins is chief economist of the U.S. Department of Agriculture and is responsible for the Office of the Chief Economist, the World Agricultural Outlook Board, the Office of Risk Assessment and Cost-Benefit Analysis, and the Global Change Program Office. Collins has served as acting assistant secretary for economics and director

of the Economic Analysis Staff. As chief economist, Collins is responsible for the department's agricultural forecasts and advises the secretary of agriculture on economic implications of alternative programs, regulations, and legislative proposals. He coordinated development of the USDA's proposal for the 1996 farm bill.

Joseph W. Glauber has been with the Office of the Chief Economist at the U.S. Department of Agriculture since joining the USDA in June 1992. He served as economic adviser at the so-called Blair House agreements leading to the completion of the Uruguay Round negotiations. He is the author of numerous studies on crop insurance and disaster policy, and his work on area yield futures and options contracts was instrumental in the development and approval of such programs. He was also a principal architect in the design of the Options Pilot Program.

Leslie A. Duram is assistant professor of geography at Southern Illinois University at Carbondale, where she teaches courses in environmental conservation and human geography. Duram has done research on organic production in Colorado and Illinois. While she is interested in the social and policy aspects of agriculture, she also realizes the importance of doing fieldwork. Duram says she is teaching her young son good eating habits, and the benefits of organically produced food.

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