



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

● AGRICULTURAL ECONOMICS RESEARCH

A Journal of Economic and Statistical Research in the
United States Department of Agriculture and Cooperating Agencies

Volume XIII

JULY 1961

Number 3

The Role of Economics and Statistics in the USDA

By Willard W. Cochrane

The first issue of Agricultural Economics Research appeared in January 1949. The original purpose of the new journal was to provide the Bureau of Agricultural Economics with a "medium for the publication of technical articles." Following the abolition of the Bureau in late 1953, the journal continued to be issued—first under the sponsorship of the Agricultural Marketing Service, and later under the joint sponsorship of that agency and the Agricultural Research Service. In April of this year, the economic and statistical work of the U.S. Department of Agriculture was regrouped and reoriented under a Director of Agricultural Economics, reporting directly to the Secretary of Agriculture. It is most appropriate, therefore, that this issue carry an introductory article by the new Director, outlining the historical development of economic and statistical research in the Department in relation to the new organization covering these fields.

● **IT IS SAID** that "the farm problem is always with us." Actually, there has never been a single farm problem. Farmers, like the population as a whole, face different problems in different areas and commodities.

For the last 40 years, however, maladjustments of an economic nature have overshadowed drought, flood, pests, diseases, and other problems of a physical nature. In peacetime, the basic problem was one of oversupply and dragging farm income. In wartime, the basic problem was one of short supplies and skyrocketing prices. And around these great problems there have been a whole series of lesser adjustment problems. The resolution of these problems, in part if not fully, has helped the farmer and the Nation. As agriculture continues to develop in the affluent United States setting, new problems of an economic nature will arise. These in turn will demand solutions.

The techniques and tools available to economic research can be brought to bear on these prob-

lems—the old ones and the new ones. That is one reason why agricultural economic research work has been brought together in the Economic Research Service. There, its strength will not be dispersed in bit-by-bit approaches. Instead, it will be marshalled against the tough and continuing problems of agriculture. The unification of functions under the Statistical Reporting Service likewise strengthens this area of research in the Department.

The past history of economic research in the Department shows clearly that it has been most effective when it has been under a unified direction. This kind of direction encourages contributions to the development and evaluation of policies and programs. Economic research should not be carried out in a vacuum. It must be related to other research work as well as to the economic programs of the Department. It is one part of the agricultural "research community," which includes all of the research carried on in the Department of Agriculture and the Land Grant College system.

Early Developments in USDA

Agricultural economic research is often traced to 1839, when Congress appropriated \$1,000 to the Patent Office for collecting agricultural statistics, conducting agricultural investigations, and distributing seeds. In 1842, the Patent Office published some of the farm statistics which had been collected in the census of 1840. The Patent Office issued estimates of agricultural production for the next 7 years, projecting them from the census base. The Commissioner of Patents commented on these tables in modern terms: "These annual statistics will, it is hoped, guard against monopoly or an exorbitant price."

The estimates were attacked in several quarters and were abandoned in 1848. However, the bill establishing a separate Department of Agriculture, signed by President Lincoln on May 15, 1862, directed the Commissioner to collect statistics. The Department began the publication of monthly reports on crop conditions and annual reports on agricultural production in 1863. Since that time, the work has been refined and detailed. It now supplies the data essential to economic analyses in agriculture.

The statistical data were used very early in making economic analyses of one type and another. By 1890, for example, the Bureau of Animal Industry had developed a theory with respect to what later was called the corn-hog ratio. At even earlier dates, the suggestion was made that farm management might be put on a more effective basis. This work was established in the Bureau of Plant Industry in 1902. The Office of Farm Management was established in 1905.

The Department published its first marketing bulletin in 1897, but had pointed out earlier that the statistics it published should aid farmers in meeting market demands. Investigations of foreign markets had begun in the 1880's. In 1894, a Section of Foreign Markets was established. The movements for inspection and, later, standardization, both began as means of aiding the sale of American farm products abroad. Since then, both research and active trade promotion abroad have been carried out by the Department.

BAE Established

An Office of Markets was established on May 16, 1913, to consolidate the marketing work being

done by various bureaus, to facilitate its expansion, and to assist in solving problems connected with the marketing of farm products. In the same year, a Rural Organization Service was established. This service was combined with the Office of Markets in 1915. A number of other changes took place during the next few years until, on July 1, 1922, the Bureau of Agricultural Economics was established.

The key to the organization of a Bureau of Agricultural Economics lay in the economic maladjustments faced by farmers, beginning with the sharp break in farm prices in the summer of 1920. The Secretary of Agriculture needed a broad analysis of current problems which apparently could not be supplied by the specialized agencies. The new organization was to supply this lack.

The Bureau of Agricultural Economics applied the techniques of economic research to farm problems. The problems were varied and provided a demonstration of the effectiveness of the economic approach under a unified organization. Economic research provided bases for a number of programs which were eventually administered by other organizations.

The idea of improving the farmer's position by establishing market grades and standards had gained wide support before World War I. The work, begun in the Bureau of Markets, was carried on within an economic framework by the Bureau of Agricultural Economics. Eventually, this work was administered outside BAE, but during its formative years, it needed the kind of integration that only economists could provide.

A Division of Cooperative Marketing was established in BAE in 1926, giving formal organization to work that had been carried on for some years. In 1929, this division, which encouraged and aided farmers in establishing cooperatives, was transferred to the Federal Farm Board. Later it was transferred to the Farm Credit Administration; today, as the Farmer Cooperative Service, it is giving farm groups major assistance.

First Outlook Conference

When BAE was created, many workers in the Department and the States felt that some means should be developed for getting the results of economic research out to farmers in a usable form. The first Outlook Conference, held in April 1923,

marked the beginning of a program continuing to present. Conferences have been supplemented by regularly published economic analyses of major farm commodities.

The Department had been doing some work on foreign agriculture for many years. The newly established BAE emphasized the gathering and analysis of data. Its importance was recognized in 1930 with the establishment of the Foreign Agricultural Service Division. In 1938, this work was transferred to the Secretary's office. It became a part of the Office of Foreign Agricultural Relations the year following.

Economic analysis became essential to the farmer and the Nation during the years of the great depression and the New Deal. The administrators of new programs relied heavily upon economists for both data and analyses. The studies of farm income and work on the concept of parity, for example, were basic to program implementation.

The broad view of problems, which is, or should be, typical of the economist, led directly to the establishment of important programs. The development of a food stamp plan as a means of attacking the farm surplus problem by expanding domestic consumption is an example. One of the leading economists and statisticians in BAE studied the direct distribution of food to needy persons and concluded that the program could be improved from the standpoint of both farm relief and social welfare. The alternative program he devised was to make surplus foods available at lower prices to low-income families. This idea, which was put into effect in 1939 through the food stamp plan, gave low-income families an opportunity to improve their diets by choosing needed quantities of surplus foods.

BAE in World War II

A major reorganization of BAE took place in 1938, when it became the planning and economic research organization of the Department. The economic research work was integrated with the formulation of plans and programs. The work in State and county land use planning ended in 1942 at the direction of Congress.

During World War II, BAE was concerned primarily with furnishing information to be used in planning for maximum agricultural production, meeting agricultural problems caused by the war, planning for the postwar period, and making economic analyses for the war agencies and the public. Much of the work of the Combined Food Board and of the Office of Price Administration drew heavily upon the Bureau's analytic programs.

At the end of 1945, the Bureau's program planning work was transferred to the Office of the Secretary. The Bureau was designated the authorized source of economic information and was to supervise and coordinate economic and statistical research in the Department. During the next few years, economic analysis was brought to bear on the difficult problems of reconversion and the Korean War.

On November 2, 1953, the Bureau of Agricultural Economics was abolished. Its functions were transferred to the Agricultural Research Service and the Agricultural Marketing Service as a part of a larger reorganization of the Department of Agriculture. The theory of organization was to organize or bring together "the appropriate team of scientists or researchers to attack particular problems. . . . In short, the leading principle in the reorganization plan has been to look at the problems facing the farmers and the industries that handle farm products rather than the scientific background or training of the particular personnel involved."

A number of leading agricultural economists criticized the abolition of BAE. The major argument against the action was expressed thus: "A department of agriculture organized around 'particular problems' is in danger of letting fundamental research 'fall between,' and also in danger of running out of the basic background material which is essential to promoting progress in farm practices, and to understanding current problems as they come upon the scene."

Current Organization

The problem approach to research was in effect from 1953 to 1961, with emphasis on marketing, both domestic and foreign.

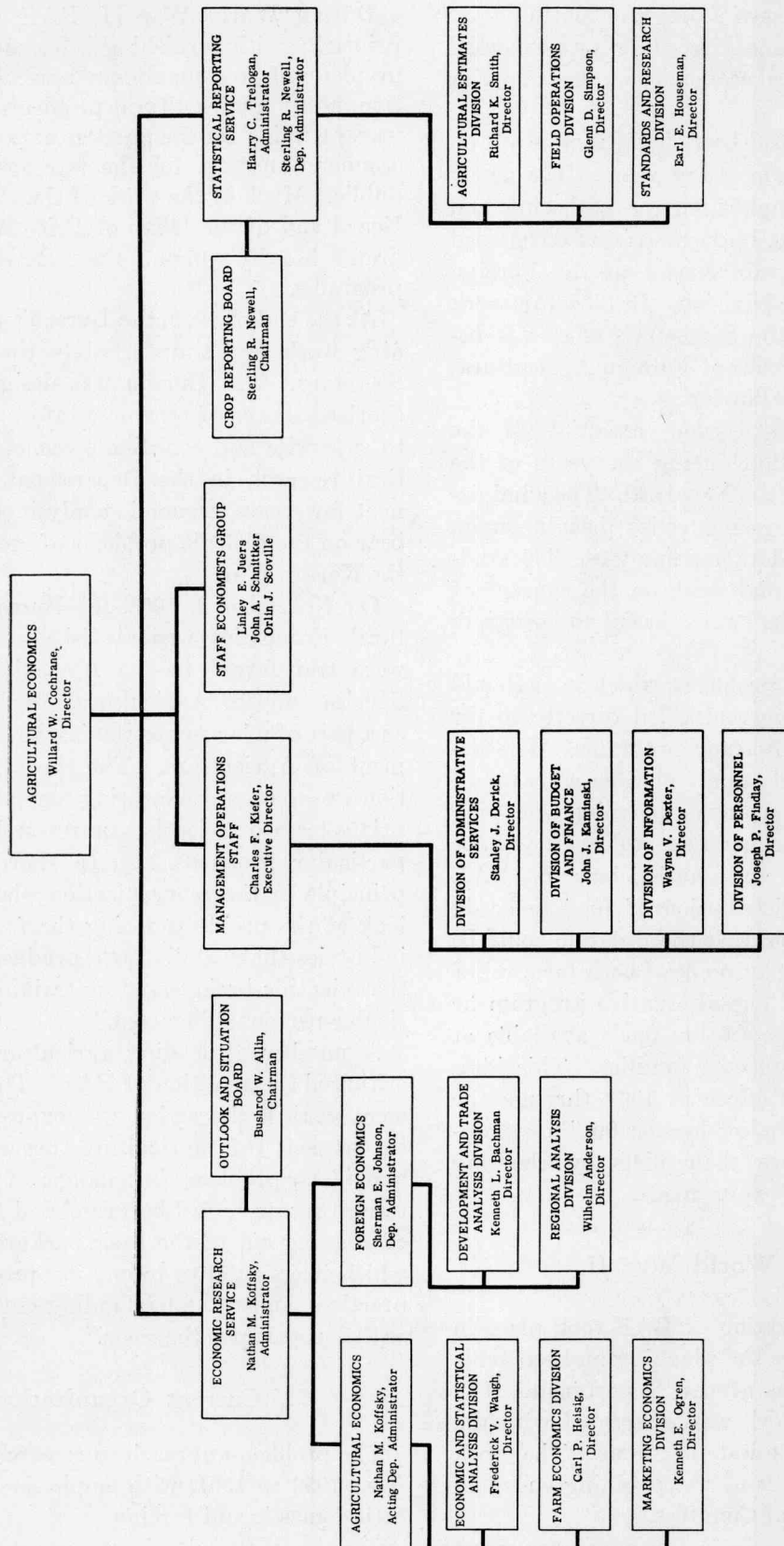


Figure 1. Organization Chart of Agricultural Economics, U.S. Department of Agriculture, June 1961.

On February 24, 1961, Secretary Orville L. Hansen gave public notice of a plan to reorganize research in agricultural economics and statistical reporting under the guidance of a Director, Agricultural Economics, effective April 3, 1961. An organization chart is shown on page 72.

The Director, Agricultural Economics, is administratively at the level of Assistant Secretary. He exercises general direction and supervision of the Economic Research Service and the Statistical Reporting Service.

The newly established Economic Research Service includes the functions formerly carried out by the following units of AMS: Agricultural Economics Division, Market Development Research Division (except Market Surveys Branch), Marketing Economics Research Division, Outlook and Situation Board, and the economics research activities of the Transportation and Facilities Research Division; the functions of the Farm Economics Research Division of the Agricultural Research Service; and the functions of the Foreign Agricultural Analysis Division and International Monetary Branch and Trade Statistics Branch of the Trade Policy Division of the Foreign Agricultural Service.

The Economic Research Service is headed by an Administrator. The work is further divided between two Deputy Administrators. The Deputy Administrator for Agricultural Economics is responsible for the Economic and Statistical Analysis Division, Marketing Economics Division, and Farm Economics Division. The Deputy Administrator for Foreign Economics is responsible for the Development and Trade Analysis Division and the Regional Analysis Division.

The Statistical Reporting Service is responsible for the functions formerly carried out by the following units of AMS: Agricultural Estimates Division, Crop Reporting Board, Market Surveys Branch of the Market Development Research Division, and Statistical Standards Division.

The Statistical Reporting Service is headed by an Administrator and Deputy Administrator. The work is carried out by the Agricultural Estimates Division, the Standards and Research Division, and the Field Operations Division.

Two innovations have taken place in the organi-

zation. First, a Staff Economists Group has been established under the immediate supervision of the Director, Agricultural Economics. This small group assists the Director in the development of short- and long-range economic research and statistical work required by the Secretary of Agriculture, undertakes analytical studies of current and proposed agricultural programs, and represents the Director in the economic and statistical review of program actions.

The second innovation was the establishment of a Management Operations Staff reporting to the Director, Agricultural Economics. The Staff is headed by an Executive Director and has four divisions: Administrative Services, Budget and Finance, Information, and Personnel. This experiment in administration, where the one staff serves both the Economic Research Service and the Statistical Reporting Service, is aimed at achieving greater economy and efficiency and at freeing program administrators and their staffs for program work.

The Future

The Secretary said, in discussing the new agencies: "They will put renewed vigor into providing better information to U.S. farmers, ranchers and consumers and to foreign countries on agricultural needs both in the United States and abroad. This also will help the Department develop a food budget that will give hard figures on normal needs of food and fiber for our own people, supplemental needs for distribution to the needy, and overseas needs in terms of our foreign economic program."

Once again, the full economic research and statistical resources of the Department will be brought to bear upon agricultural and food problems. But economic research will not be confined to solving problems. As one of the Nation's leading agricultural economists said:

"When the work is properly organized in a favorable environment, science grows, methods of research continually improve, knowledge accumulates and enables men better and better to understand the world in which they work. A knowledge of the setting in which farmers operate and a knowledge of the trends of the times are essential

to lighting the pathway of progress as well as to diagnosing ills."

The role of economics in the Department of Agriculture is to make both basic and applied

economic research a force for the betterment of all groups in our Nation and in the world. The work as now reorganized will better permit the realization of this role.

Reprints of the article concluded on this page are available on request. Write to Economic Research Service, U.S. Department of Agriculture, Washington 25, D.C.

