



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*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.**

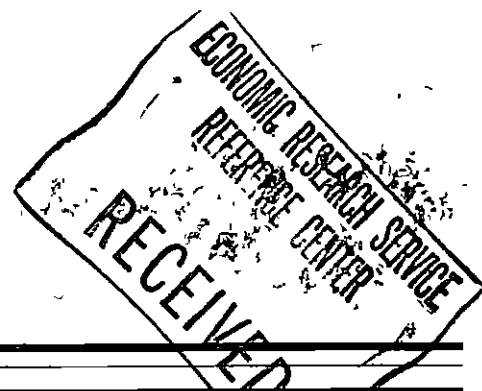
Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto: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.*

# Agricultural Economics Research

Winter 1985 Vol 37, No 1



A Journal  
of the  
United States  
Department of  
Agriculture

Economic  
Research  
Service

**1** Relationships between Quarterly  
Corn Prices and Stocks

**8** Agricultural Development in  
Three Asian Countries: A  
Comparative Analysis

**14** When Are Export Subsidies  
Rational? A Comment; Export  
Subsidies Are Still Irrational;  
When Are Export Subsidies  
Rational? A Reply

**23** Modeling Farm Decisions for  
Policy Analysis

**25** Selected Writings on Agricultural  
Policy and Economic Analysis

**27** Land Reform, American Style

**30** Livestock Response Functions

# **Agricultural Economics Research**

**A Journal of the U.S. Department of Agriculture • Economic Research Service**

---

**Editors**

**Judith Latham  
Gerald Schluter**

**Editorial Board**

**Terry Crawford  
Clark Edwards  
Roger Hexem  
William Kost  
Mindy Petrulis  
J. Michael Price  
Margaret Weidenhamer**

**Graphic Designer**

**Susan DeGeorge**

The Secretary of Agriculture has determined that the publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director, Office of Management and Budget, through March 31, 1987.

This periodical is published quarterly. Subscription rates are \$11.00 domestic; \$13.75 foreign. Send check or money order to (payable to Superintendent of Documents):

**Superintendent of Documents  
U.S. Government Printing Office  
Washington, DC 20402**

Microfiche copies are available from two different sources:

**Infodata International, Inc.  
Suite 4602  
175 East Delaware Place  
Chicago, IL 60611**

Issues from 1974 on are available at \$4.95 per year or per issue.

**Congressional Information Service, Inc  
P.O. Box 30056  
Washington, DC 20014**

Issues for 1973 are available at \$5.00 (for 2 fiche). Issues for 1974 on are available at \$3.75 for the first fiche and \$1.25 for each remaining fiche; they average 3 fiche per year.

---

# In This Issue

---

"One person's trash is another person's treasure" is an adage whose truth we regularly see verified at flea markets and garage sales. Its truth also prevails in economic research. Consider the economic historian. One of this researcher's tasks is to sort through the mass of historical economic data to discern which will explain the long-term trends—growth or decay—in an economy or in its institutions. And, consider the developer of short-term economic forecasting models. One of this researcher's tasks is to sort through the mass of current economic information to discern which could reasonably be expected to explain near-term developments. To the first researcher such occurrences as the seasonal timing of rainfall, the unexpected freeze, the strike, an advertising campaign, or an income windfall are "trash" through which the researcher must sort to identify the variables of longer term significance. Within this researcher's period of interest, these are likely to be stable. The builder of a forecasting model must "detrend" the data to identify the explanatory variables of near-term significance.

## One researcher's trash is another's treasure

In this issue we have articles reflecting both aspects of this time perspective. Westcott, Hull, and Green in the lead article present a version of a short-term corn price forecasting model. They show the important relationship between quarterly corn prices and both quarterly corn stocks and preharvest information about the new crop.

In the following article Lee and Culver examine the role of agriculture in the economic development of three Asian countries. They explore broader aggregates such as growth in agricultural output, urban-rural terms of trade, agriculture's share in total national output, and the timing of land reform in the development process. They conclude that, although Japan, Korea, and Taiwan fit a general stage-of-development process, the role of agriculture in the development process differed.

In the Research Review section, Orden and Gardner comment on Paarlberg's January 1984 AER article, "When Are Export Subsidies Rational?". Orden utilizes a two-good general equilibrium context to question the validity of Paarlberg's conclusion that export subsidies are rational if policymakers place higher weight on the welfare of producers than others. His critique draws on two important concepts from trade theory: the existence of a social welfare function when weights attached to different individuals are known and the nonoptimality of a trade intervention (such as an export subsidy) as opposed to other forms of intervention (such as domestic production taxes and subsidies) in cases where the objective is something other than exploiting monopoly power in trade. Gardner elaborates on the second point. He cites findings of the standard welfare economics of trade distortion that export subsidies are suboptimal to domestic support policies, and he supports his point with numerical and graphic illustrations. Paarlberg replies: no, I won't summarize his reply. I suggest the original article and this entire exchange be read as a unit. This is a rare opportunity for a "teaching moment" in a professional journal. Orden, Gardner, and Paarlberg provide logic from some of our profession's best minds in this effort to merge our theoretical models with the real world of the policymaker's arena. The illuminating, timely, and thoughtful exchange deserves to be read and pondered.

Moore reviews *Modeling Farm Decisions for Policy Analysis*, a compilation of papers presented at a November 1981 micromodeling conference and is encouraged by the nature of some of the work.

Ahalt draws on his personal association with Fred Waugh to give a review of Waugh's effect on the profession and his coworkers as well as his *Selected Writings on Agricultural Policy and Economic Analysis*.

Wunderlich reviews *Land Reform, American Style* and finds a book of fine readings, too diverse to sustain a central theme, but one which makes up in scope, energy, and content of individual chapters what it lacks in tractable theory

Crom reviews *Livestock Response Functions*, a collection of articles describing interdisciplinary experiments at Iowa State University for estimating livestock and poultry production functions, and finds it an excellent technical reference.

**Gerald Schluter**

# Contents

---

- 1 Relationships between Quarterly Corn Prices  
and Stocks

*Paul C Westcott, David B Hull, and  
Robert C Green*

- 8 Agricultural Development in Three Asian  
Countries: A Comparative Analysis

*Chinkook Lee and David W Culver*

## Research Review

- 14 When Are Export Subsidies Rational?

A Comment

*David Orden*

- 17 Export Subsidies Are Still Irrational

*Bruce Gardner*

- 20 When Are Export Subsidies Rational? A Reply

*Philip L Paarlberg*

- 23 Modeling Farm Decisions for Policy Analysis

*Reviewed by Charles V Moore*

- 25 Selected Writings on Agricultural Policy and  
Economic Analysis

*Reviewed by J Dawson Ahalt*

- 27 Land Reform, American Style

*Reviewed by Gene Wunderlich*

- 30 Livestock Response Functions

*Reviewed by Richard Crom*