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Agricultural Policy Analysis: Discussion

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ABSTRACT

Agricultural economists are appropriately concerned about their profession's contributions to policy decisions. An examination of alternative approaches to transforming policy analyses is in order. There are opportunities to (a) focus on income and wealth distribution, (b) give attention to the public as a primary client, (c) avoid advocacy, and (d) adjust institutions in ways that encourage participation in policy analyses including the development of data systems.

Key Words: equity, income and wealth distribution, policy advocacy, policy analysis, public as a primary client.

O'Brien, Conley, and Dicks each challenge the profession to contribute more effectively to public policy decisions. O'Brien observes that economic analyses did not address several questions related to 1995–96 farm legislation, all of which may have been important to legislative decisions. Conley concludes that the Freedom to Farm Bill represents an economist's solution, although accomplished without economists. Finally, Dicks argues that agricultural economists have not focused sufficiently on equity questions, like regional effects of policy.

It is well that all professions periodically address the appropriateness of their work. Thus, I congratulate the authors for focusing our attention on the work of agricultural economists. The papers lead me, in turn, to raise four questions:

- (1) Might our professional dialogue be enhanced by focusing on "income and wealth distribution" instead of "equity"?
- (2) Would a renewed emphasis on the public as a

primary client contribute to more enlightened policies?

- (3) Is it appropriate for publicly supported agricultural economists to advocate particular policy approaches?
- (4) Could new public institutional arrangements enhance the quality of policy analysis and its understanding by the public?

Income and Wealth Distribution or Equity as a Focus

The meaning of the word "equity" is, in my judgment, not widely understood. Most people who use the word equity probably have a clear concept in mind as to what it means. The difficulty is that others do not necessarily attach the same meaning to the word. The dictionary I consulted gives this definition: "The state, ideal, or quality of being just, impartial, and fair . . . something that is just, impartial, or fair." I suggest that it is inappropriate to expect agricultural economists to appraise the justness, impartiality, or fairness of legislative decisions and options within the range in which policy options are usually considered. But the public, in my mind, can reasonably expect agricultural economists to provide insights about the income and wealth distribution effects of legislative decisions, and they (the public), when informed, can appraise

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whether the effects are equitable and fair or inequitable and unfair.

I accept Dicks' suggestion that regional effects of policy should be addressed by agricultural economists. But the inequality of income and wealth among us and the interaction of this phenomenon with political agendas suggest to me that regional distribution questions represent only one kind of many distribution-related questions that economists might usefully encompass in their work. To be sure, it is important to consider whether farm legislation gives more, for example, to Illinois corn producers and related land owners than to wheat growers in Oklahoma or Ohio, or to sugar producers in North Dakota. But such a focus is insufficient in my judgment.

Also, consideration needs to be given to the scope of distribution-oriented analyses. One of the most critical considerations is whether the analysis implies a norm. Suppose an analysis was focused on the income and wealth distribution effects of one of the major farm bill proposals. Would one measure how the income and wealth distributions associated with the proposal would compare to the distributions with a continuation of 1995 policies? An alternative would be to compare the prospective distributions associated with the proposal with what would be the distributions without any direct government intervention in farm commodity markets. I support the notion that both comparisons should be displayed. The current federal government approach of measuring change from a "continuation of current policy" baseline biases the activity toward continuation of current policy, or so it seems to me.

Another point is vitally important. The endorsement of the profession giving attention to income and wealth distribution is not meant to detract from the tremendous importance of estimating aggregate variables. Such work needs to continue to be of the highest quality. If it were not, both the aggregate and the distribution activities of the profession would evolve into irrelevancy.

My differences with Dicks may be largely semantic, and there may be basically no disparity between us on these points. But as an ancient philosopher once said, "If you are to argue with me, first define your terms." Because of the possible ambiguity of the meaning of the word equity and questions about economists being able to appraise fair-

ness, I prefer words whose meanings are more intuitive.

Some people would argue that since economists have no special talent for appraising whether particular decisions are equitable, they should ignore income and wealth distribution effects. I disagree. For example, public decision making could benefit greatly if agricultural economists regularly estimated direct and indirect transfers associated with public programs (farm and otherwise) according to income and wealth status of recipients, as well as those who provide the benefits. Note that this sentence encompasses not only a focus on the transfers that are incidental to the policy, but also the income and wealth status of those who benefit and pay. I embrace the notion that there is a need for greater attention to income and wealth distribution effects (including, but not limited to, regional effects) of legislative decisions. And then, if the profession develops the skill to appraise the fairness of these distributions, well and good. However, for now I am prepared to let the voters decide what is fair or unfair.

The Public as a Primary Client

Professionally we have come to attribute special charm to those among us to whom legislators listen. The notion is that these individuals have special opportunities to influence legislation. While we might hope that influencing public policy were so simple, I have come to conclude that legislative decisions are much more complex. Many considerations, other than what agricultural economists say, affect the crafting of legislation and how legislators vote.

On the other hand, agricultural economists have much to contribute to legislative decision making. It is quite appropriate for agricultural economists to be responsive to perceived demands of legislators. However, the significance of legislators as primary clients can be overemphasized. Our efforts in pursuit of enlightened public policy may be served by giving at least equal attention to informing the public—for the public ultimately controls the legislators.

Imagine a profession that emphasized a continual and close examination of policy proposals and decisions with the objective of vigorously informing legislators *and* the public—agricultural and nonagricultural—of the effects of current poli-

cies on the distributions of income and wealth, and of the potential effects of these prospective policy proposals and decisions on the distribution of incomes and wealth.

The suggestion that attention be given to informing the public is derived from several observations. I tend to think that we may be overly concerned about what legislators want to know. In addition, we may be overly optimistic about how they would vote if they knew what we know. Undoubtedly, there are many legislators who want to pass laws which generate effects that are "fair," to use a word akin to equity. But many legislators must spend most of their time trying to discover the combinations that will enhance their election prospects. In addition, I tend to think that the legislators perceive remarkably well the income distribution effects of their decisions on their constituents. Surely, the leaders of special-interest groups do. That is why they are willing to spend their money in attempting to influence the decisions. Unfortunately, too many who ultimately pay for these policies when they pay their income tax, or purchase the "stick-up" commodities in the form of groceries or gasoline, do not understand the distribution effects of policies.

By the public, I mean everyone—not just producers and those with substantial financial investments in farming and related businesses (although they are also included). An expansive effort to inform the public would require the most innovative communication techniques available and the involvement of the most skilled among us. The effective inclusion of the public would have two significant effects on our professional conduct. First, in such an environment it would be imperative to deal with distribution questions. People would be most likely to listen and participate if the presentations focused on the effects of the policies on them. Second, the effective inclusion of the public would reinforce the imperative to avoid advocacy of particular policies. In addition, the increased attention to distribution questions would, in my judgment, enhance the attractiveness to legislators of our work. Too often legislators and their staffs must wrestle with a blizzard of national aggregate estimates as they try to decipher the important income and wealth effects of the alternative legislative options.

Policy Advocacy

The third question focuses on the appropriateness of publicly supported agricultural economists advocating policy options. Dealing with this question requires recognizing that people trained as economists discharge several different roles in our society. Some are simply hired guns. Most of these people make a very good living. The public expects (and I hope discounts accordingly) these economists to say things in favor of policies that will enhance the income and the wealth and/or organization prominence of their clients and, in turn, themselves. Of course, they will, like others in the advocacy profession, invoke numbers and estimates that appeal to groups other than their clients. Seldom will they reveal that the policies they advocate will enhance the income and wealth of their clients. You can be sure, however, that their clients indeed realize income, wealth, and organizational benefits. Otherwise, the services of this group of economists would not be engaged.

Another group of economists work in the service of legislators. Their agenda is set by legislative events, and surely when these economists make public utterances, they must recognize the role they play for the particular legislators to whom they are responsible. I have the utmost admiration for this group of economists. They often work under severe deadlines and great pressures. In appraising their efforts, it is important to recognize that economists can make critical contributions to policy decisions without writing journal articles and giving lectures. Also, in appraising their contributions, it is important to recognize that in drafting legislation and preparing legislative reports, they can do more in 30 minutes to affect policies—and therefore effect changes in distributions of incomes and wealth—than most of us accomplish in 30 years of professional work.

Another group of economists is comprised of those in the employ of federal and state government agencies. Their particular environments vary widely and relate to their institutional history, leadership, and the policy milieu at any particular time. Some are in roles similar to other "kept" economists. Still others seem not under pressure to endorse this or that policy, but are able to discuss relationships and outcomes of alternative policies,

especially if they are cautious as to the timing of their statements.

Still another group of agricultural economists work in U.S. land-grant universities. Of all the agricultural economists in the United States, it is this group that the public would seem to expect to be policy neutral in their public statements. Yet we observe prominent members of this group making statements and signing letters that include prescriptions for policy decisions. It is not clear to me how they reconcile these endorsements with the reality that as government employees, they work for all of the public. The answer may be related to traditional in-state political realities, including the possibility of their institution (or themselves individually) being "captured" by special-interest groups, the effect of privately financed contracts and endowments, the invisible strings that are associated with federal government contracts and special project monies, as well as views that contrast with mine as to the appropriateness of such individuals prescribing particular policies.

There is yet another group of agricultural economists whose affiliations, and therefore activities, must be recognized as different. "Nonprofit foundations" employ a number of economists. Technically these are nonadvocacy groups. But we all know that this is not the case for most of these institutions. Therefore, until the Internal Revenue Service stops the charade, we have little alternative but to classify all but a few of these economists the same as those employed by any for-profit advocacy group—namely as "kept" economists.

Let me be clear concerning my preference as to how economists should be expected to handle these matters. All those economists whose affiliation unambiguously denotes their loyalties to particular interest groups can be expected to freely advocate whatever in their judgment will maximize their incomes and the incomes of their clients. All others, especially those in land-grant universities and in nonpolitical positions of other government institutions, should be expected to refrain carefully from using the word "should" in discussing policy options—but, instead, focus studiously on comparing effects of alternative policies, including effects on income and wealth distribution, without expressing a personal preference for any policy option. We all individually have a responsibility to see that advo-

cacy standards are respected. Our associations can contribute importantly in these efforts as well.

However, if the contributions to policy making by those in land-grant universities and in nonpolitical positions of government institutions are to be optimized, the leaders of these institutions must examine how changes in institutional arrangements can be adjusted to facilitate these contributions to policy making—the focus of the fourth question posed here.

Institutional Arrangements

I visualize that a practical system of institutional arrangements for effective policy analysis that serves the public in the coming decades would have the following characteristics:

- (1) A public data system that encompasses data sets for (a) micro farm and nonfarm households, (b) farm production, (c) national measures and indicators, and (d) international statistics which are carefully developed and maintained.
- (2) Estimating models that are regularly reviewed by peers who do not have a direct stake in the models or in similar models.
- (3) Funding for these activities that is sufficiently independent, although constrained, to forestall any suspicions that the activity is designed to support particular policy options.
- (4) Arrangements that facilitate coordination among investigators in different geographical locations.
- (5) Staffing arrangements that give as much attention to informing the public as is given to undertaking investigations.
- (6) Arrangements that ensure quick responses to analytical needs as perceived by those directly involved in the investigations and by the public, including legislators.

I place "data system" on the top of the list because it is an essential input to analyses that deal with income and wealth distribution. The international data base is as important as national measures and indicators and, in the years ahead, disaggregated national data of other countries will have

an increasing value and importance to effective program decision making.

The Economic Research Service has made remarkable progress, under the leadership of Jim Johnson, in developing data systems that provide insights into the economics of U.S. farm production and of some of the households related to farming. However, there is much more that is still needed. One of the institutional difficulties is the attitude of university agricultural economists toward devoting their time to these tasks. Too many university people display a "let the Feds do it—we'll use the data after they develop it" attitude.

Such attitudes seem to be cultivated with widespread university reward systems that give priority to theoretical constructs, and nil (if not negative) rewards to development of data systems. In the long run, this kind of reward system undermines the characteristics that at one time distinguished agricultural economics departments from economics departments. Unfortunately, unless the data needs are confronted, the profession is assigned to a less than optimum role in supporting policy decision making. In my view, the usefulness of policy analyses is seriously limited unless they are based on micro data and analyses that provide insights about what happens when policies hit the barnyards and the main streets of rural America.

There is a great deal of attention given at present to the reasonableness of the estimates generated by farm-sector estimating models. "Tweaking" the models to adjust out-of-line estimates has become a common practice. A logical outcome is a central tendency of the estimates emanating from the various estimating systems. My appeal is that equal effort should be given to professional reviews of the inner workings of the estimating models. Might this activity also be a role for our professional organizations?

Given the probable limitations on funding and the required complexities of the analytical systems to confront issues, like income distribution and environment, we can anticipate that there will be only a limited number of full-scale national and international analytical systems. Further, the systems will be of such a size that they will be impossible to develop and maintain by a small number of people. However, there will be many individuals at scattered locations who, under the appropriate leadership and institutional arrangements, could participate effectively in the activities.

Conclusion

I conclude that a transformation of our profession's approach to agricultural policy would be of substantial benefit to society as a whole. Such a transformation would include (a) a focus on income and wealth distribution, (b) attention to the public as a primary client, (c) avoidance of advocacy, and (d) adjusting institutions in ways that encourage participation in policy analyses including the development of data systems.

Some may argue that the goals of this approach are not achievable. They may contend that farm and business related groups would abandon supporting appropriations needed to sustain such a system and that the leadership of no other group will take an active interest. Better to avoid the whole issue, they may suggest, and practice "safe economics"—focus on theory or applied work endorsed by particular interest groups.

Certainly, to attempt a transformation involves risks. However, for the profession to emphasize "safe economics" also involves risk. My preference is to go for a transformation.