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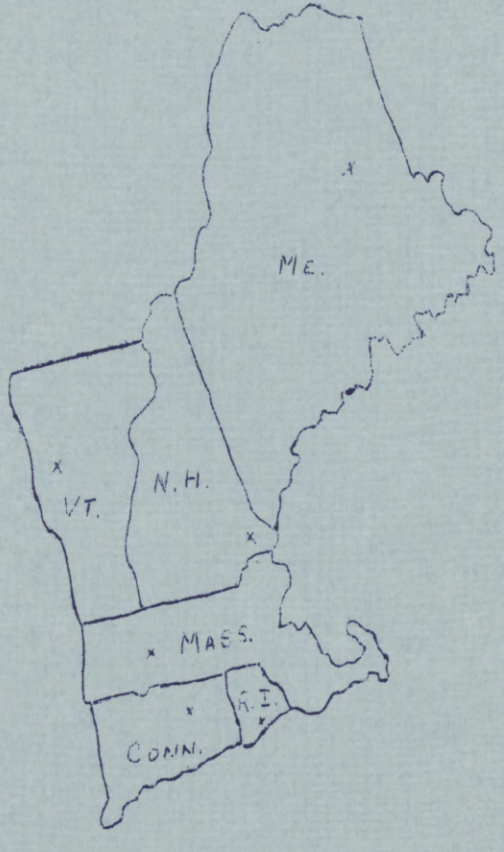

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AGRICULTURAL ECONOMICS IN PERSPECTIVE--ITS PAST, PRESENT, AND FUTURE

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Perhaps the best way of approaching the subject at hand is to simply call your attention to the source materials around which my comments will be organized.

The first source is the discussion of "Deficiencies and Remedies" which occurs in the Introductory Review or Summary of the Report of the Country Life Commission transmitted to President Roosevelt, January 23, 1909. This discussion summarizes the feeling of rural leaders in the early 1900's and yields an excellent analysis of the environment which brought agricultural economics into being (remembering that some of the earliest work in agricultural economics was started a year or two following 1900 and that the American Farm Economic Association was organized in 1910).

The second source is the introductory section "Agricultural Economists in Our Society" from my own effort to survey contemporary agricultural economics at the Annual Meeting of the American Farm Economic Association in 1953--a statement which it seems to me still holds good, although some of the references need to be updated.

And as we turn to the future I shall call your attention to the third source which is drawn from the concluding section of American Agriculture and Agricultural Economics, 1955-1975, a report of the Committee on Agricultural Economics, Social Science Research Council, released in June, 1956.

DEFICIENCIES AND REMEDIES--Extract from the Introductory Review or Summary of the Report of the Country Life Commission, Transmitted to President Roosevelt, January 23, 1909:

"...We must measure our agricultural efficiency by its possibilities rather than by comparison with previous conditions. The farmer is almost necessarily handicapped in the development of his business because his capital is small, and the volume of his transactions limited; and he usually stands practically alone against organized interests. In the general readjustment of modern life due to the great changes in manufactures and commerce, inequalities and discriminations have arisen, and naturally the separate man suffers most. The unattached man has problems that government should understand.

"The reasons for the lack of a highly organized rural society are very many, as the full Report explains. The leading specific causes are:

"A lack of knowledge on the part of farmers of the exact agricultural conditions and possibilities of their regions;

"Lack of good training for country life in the schools;

"The disadvantage or handicap of the farmer as against the established business systems and interests, preventing him from securing adequate returns for his products, depriving him of the benefits that would result from unmonopolized rivers and the conservation of forests, and depriving the community, in many cases, of the good that would come from the use of great tracts of agricultural land that are now held for speculative purposes;

"Lack of good highway facilities;

"The widespread continuing depletion of soils, with the injurious effect on rural life;

"A general need of new and active leadership.

"Other causes contributing to the general result are: Lack of any adequate system of agricultural credit, whereby the farmer may readily secure loans on fair terms; the shortage of labor, a condition that is often complicated by intemperance among workmen; lack of institutions and incentives that tie the laboring man to the soil; the burdens and the narrow life of farm women; lack of adequate supervision of public health.

"Some of the remedies lie with the national Government, some of them with the States and communities in their corporate capacities, some with voluntary organizations, and some with individuals acting alone. From the great number of suggestions that have been made, covering every phase of country life, the Commission now enumerates those that seem to be most needed at the present time.

"Congress can remove some of the handicaps of the farmer, and it can also set some kinds of work in motion, such as:

"The encouragement of a system of thoroughgoing surveys of all agricultural regions in order to take stock and to collect local fact, with the idea of providing a basis on which to develop a scientifically and economically sound country life;

"The encouragement of a system of extension work in rural communities through all the land-grant colleges with the people at their homes and on their farms;

"A thoroughgoing investigation by experts of the middleman system of handling farm products, coupled with a general inquiry into the farmer's disadvantages in respect to taxation, transportation rates, cooperative organizations and credit, and the general business system;

"An inquiry into the control and use of the streams of the United States with the object of protecting the people in their ownership and of saving to agricultural uses such benefits as should be reserved for these purposes;

"The establishing of a highway engineering service, or equivalent organization, to be at the call of the states in working out effective and economical highway systems;

"The establishing of a system of parcel post and postal savings banks;

"And providing some means or agency for the guidance of public opinion toward the development of a real rural society that shall rest directly on the land.

"Other remedies recommended for consideration by Congress are:

"The enlargement of the United States Bureau of Education to enable it to stimulate and coordinate the educational work of the nation;

"Careful attention to the farmers' interests in legislation on the tariff, on regulation of railroads, control of regulation of corporations and of speculation, legislation in respect to rivers, forests, and the utilization of swamp lands;

"Increasing the powers of the federal government in respect to the supervision and control of the public health;

"Providing such regulations as will enable the states that do not permit the sale of liquors to protect themselves from traffic from adjoining states.

"In setting all these forces in motion, the cooperation of the States will be necessary; and in many cases definite state laws may greatly aid the work."

II

AGRICULTURAL ECONOMISTS IN OUR SOCIETY--Extract from A Survey of Contemporary Agricultural Economics, O. V. Wells, before American Farm Economic Association and Western Farm Economics Association, Corvallis, Oregon, 1953:

"Twenty-three years ago, in a seminar conducted by three distinguished members of this society, I raised two questions which have haunted me ever since. So I now propose to rid myself of these two conscience-troubling friends, passing them along with some comments to the members of the two associations whose achievements, or failures, must yield the final answers.

"As I look back, I realize that the invitation for questions on the part of our seminar leaders was chiefly an ice-breaking gesture; and I am not at all certain that the questions themselves were not more a function of incredulous innocence than of any wit. At least, we proceeded through the seminar without ever actually taking a look at the possible answers, and I am inclined to think some agricultural economics majors still go the route without much conscious analysis of such matters, even when they go all the way to a Ph.D.

"The questions are simple enough: (1) What kind of relative returns can agricultural economists expect in terms of money, intellectual achievement, and leadership? and (2) taking into account the fact that most agricultural economists are educated at considerable public expense and many of them spend a large block of their working lives on public payrolls, What contributions are agricultural economists making, or likely to make, to the general welfare?

"Answers to these two questions not only vary for different individuals but equally, the answers may change through time. However, there are some relevant observations we can make, based upon performance records over the three decades which have elapsed since the Bureau of Agricultural Economics was formally established on July 1, 1922, and the authorization under which most of the College departments were founded was written into the Purnell Act, approved February 24,1925.

"Certainly it seems the answer to the first question is generally a satisfactory one. Although agricultural economists are not notoriously well-paid, their salaries and standards of living within the Colleges and the Government appear to be as good as that of any other professional class performing similar tasks for institutional employers, while many of our colleagues have graduated into other fields of endeavor where some of them are doing very well indeed. Further, returns to a professional group such as agricultural economists are by no means merely a matter of money alone; intellectual achievements and the leadership influence of a professional man's work must also be considered.

"As for the ability of our colleagues to make good in the business or commercial world, we all know specific cases. Several of our greatest trading concerns have agricultural economists, or former agricultural economists, in their executive echelon. One of the ablest members of these two associations also happens to be an executive vice president of the country's largest bank. Agricultural economists occupy responsible positions with many of our processing or manufacturing corporations; and I can personally recall several good extension or 'agricultural outlook' economists who have gone into business on their own and made good.

"On the leadership front, the score is equally good. The old complaint that Deans, Directors, and College Presidents couldn't really be expected to understand agricultural economics is losing force. There are now about 20 Deans, Directors, Provosts, Vice-Presidents, or Presidents of Land-Grant Colleges who started as agricultural economists, including our distinguished President who is also Vice President in charge of all agricultural activities of our largest single university system.

"Nor have the agricultural economists been unable to hold their own with the general economists. Chicago, Stanford, and Harvard have given top assignments to men interested in food and agriculture, while the first Chairman of the President's Council of Economic Advisors started his professional career as an agricultural economist and was in fact a past-President of the American Farm Economic Association.

"When we turn to the second question--the question as to what the agricultural economists contribute to the general welfare--the answer again seems to be favorable.

"In a way this takes us into the often controversial field as to whether agricultural economists should or can influence public policy, as to whether they should express value judgments or in more graphic terms, whether they should systematically endeavor to 'win friends and influence people.' So far as I can determine, this is purely a surface argument, having to do, not with whether the agricultural economist's work is related to policy, but rather with the way in which his facts can best be brought to bear, his influence most appropriately exercised.

"Agricultural economists along with their facts and analyses can and do influence policy. And it further seems to me that they have made a significant contribution to the national welfare in the last 30 years by: (1) constantly striving for as many facts as possible, with accompanying endeavors to so organize their materials as to keep the main political arguments to questions of policy not fact; (2) constantly pointing out at least the worst fallacies of both the all-out advocates of farm aid and their opposites, those who feel the best answer to all farm problems is simply a ruthless freeze-out; and (3) by consistently endeavoring to promote economic education among farm people and their representatives in the belief that the maximum possible number of decisions should be made by farmers and those who handle farm products, the minimum number of trade barriers erected.

"One index of this relation of agricultural economists to agricultural policy is found in their actual relations to the Congress and the various administrative agencies. Economic materials and arguments are constantly before the Congress and many agricultural economists graduate into administrative or policy-forming positions. Numerous examples come to mind: The Federal Farm Board drafted the Cooperative Marketing Division as a service unit and included a chief economist on its staff; the original AAA included several outstanding agricultural economists on its top staff, and this is equally true of its successor agencies today as emergency influences subside and the U.S.D.A. again faces some aggravating problems. Currently, the Secretary of Agriculture, the Under Secretary, and the Assistant Secretary for Commodity Operations are all men who have worked as agricultural economists, while the last five governors of the Farm Credit Administration have also been drawn from our field.

"One could of course argue that men with an agricultural economics training are not necessarily any more or any less devoted to the national welfare than are other people. But many of them have turned in first-class performances by anybody's standard, and it is my observation that the agricultural economists are as tolerant of other viewpoints and act as often in the public interest as any group with whom I have come in contact."

III

PROBLEM AREAS (including some comments on need for better agricultural economics theory) -- Summary of problem areas listed during discussion of Committee on Agricultural Economics, Social Science Research Council, March, 1956, following a series of seminars or discussions in 8 State Land-Grant College Departments concerned with Agricultural Economics and among individuals within the U.S. Department of Agriculture of selected questions including: (1) What are likely to be the most important agricultural problems during the next quarter century, and (2) To which of these problems can the agricultural economics field make major contributions?

The areas listed are as follows, except that I have combined the <u>family farm</u> and <u>marketing</u> discussions with the discussion of "the current technological revolution and its consequences for agriculture:"

"<u>Surplus problems</u>. These arise from the tendency in the American agricultural economy for supply to outrun demand, due to a complex of forces and influences which allocate resources into agriculture and retain them there and

also allocate them among uses within agriculture; included are technological innovations that enhance productivity. The private as well as the public aspects must be of concern to us.

"One important problem during the next 25 years will be that of bringing about the adjustments in production--on farms and in the aggregate--that will not only keep total supply in balance with demand, but will keep the supplies and demand for particular products in line. A great deal of capital will be required to facilitate these adjustments in the use of resources. In connection with research to facilitate production adjustments, farm management people should do some work in the development of farm classification as a means of carrying our research analyses to the points where they apply. If needed adjustments in production are to be stimulated, the problems likely to be encountered in reducing the intensity of land use--in transferring land from cultivation to grazing or forestry--need be identified and understood. The potential role of the government in stimulating and facilitating these adjustments should be carefully studied. Concurrently, we need to develop the best estimates possible of the number and types of farms that will be needed in the future.

"The relation of resource development to technological developments as alternative means for increasing agricultural production is not yet well understood. The real economic and social costs of obtaining future expansions in agricultural output by resource development and by technological change should be compared; for example, such comparisons could provide the basis for choosing between irrigation ditches and a new variety, as alternative means of increasing agricultural output. Perhaps some research attention should be given to retiring land from use as a buffer against a decline or interruption in the rate of technological progress.

"With some assistance from colleagues in other fields, agricultural economists should be able to do better research on surplus problems. There is need for exploration of new dimensions on both the demand and supply side, although the Committee noted that steady improvement is being reported in both areas. One aspect of demand that needs closer study is the effect of changes in population, particularly in the age and income distribution.

"The current technological revolution and its consequences for agriculture. How are technological changes related to increases in the scale of production in agriculture and to increases in capital requirements? The capital requirements in some sectors of agriculture are already very high. There is acute need to develop different forms of equity participation in agricultural firms.

"What will be the effects of technological advance on the problem of resource transfer, and on institutional patterns in agriculture? Will this advance sweep away the family farm? How are technological changes related to the low income problem? Do they inevitably increase disparity of incomes within agriculture? In this connection, the Committee noted the possible interaction of changes in agricultural patterns and in the general economic institutional patterns.

"How will the benefits from specific technological changes be distributed among the population, particularly between the farmer and the consumer?

"It was suggested that publicly-supported institutions may be handicapped in conducting research on the consequences of technology, partly because these problems have public as well as private aspects of great concern. Hence more research should be done on them in privately-supported institutions.

"Both the subsistence farmer and the low income commercial farmer are involved. What adjustments in resource use are necessary to reduce these income disparities? What specific problems arise in dealing with income distribution within agriculture? One of the most important needs is for a new look at income statistics. Data on income over the last 5 or 6 years are particularly inadequate. There is a hidden-income distribution problem in agriculture that needs study, namely, the distribution of capital gains among the participants in agriculture and its effect upon allocation of resources.

"Much more information on the importance and magnitude of incomes earned by farm residents from off-farm sources is needed. In California, for example, small farms are complementary with nonfarm seasonal employment opportunities; similar situations elsewhere should also be investigated.

"How will the present social and political ferment in the South influence the agricultural labor supply, and through it the problem of low incomes in the South? What will be the effects on the surplus problem and on low incomes in agriculture of the influx of Puerto Rican and Mexican labor pushing into agriculture?

"In the Midwest the resource transfer problem is primarily that of attaining the best organization of farms; in the South it is that of retiring from use land that won't be needed for agricultural production, or of stepping down the intensity of use of other land. With respect to the need for transferring and recombining resources (especially land), more study of land value is imperative. To what extent are land values being kept high by lags in the adjustment of values to economic forces, by the demand of farmers wishing to expand their units, and by the demand of nonfarmers?

"Research should be concerned with the relations to farm income of the benefits and penalties resulting from production controls. What is the nature of the relationship between farmers' value patterns and their responses to economic stimuli? For example, what effect does Social Security have on farmers' decisions? Before Social Security became available to farmers, did farm people go into urban employment to become eligible? What effect will the present eligibility of farmers for Social Security have on resource transfers?"

With respect to <u>the competitive position of the family farm</u>, "how are technological changes and the resultant capital requirements, as well as the organization innovations, affecting the position of the family farm? Are these changes dividing farmers into three groups--those with high incomes and plenty of resources who need no help, commercial farmers with low incomes who need assistance and more resources but who are needed in agriculture, and farmers with low incomes who need to be helped to find employment outside agriculture? There are large, very efficient family farms and less efficient, but not necessarily low income family farms.

"How has the competitive position of the family farm been affected by the growth of chain farming, corporation farming, etc.? More information is needed on the influence of ownership patterns, methods of transfer, and impacts of contractual arrangements on the competitive position of the family farm.

"Research by agricultural economists should be concerned with what lies ahead in the tenure area--the decision-making function is being moved off the farm even though ownership remains."

With respect to marketing, "The impact on agriculture of structural changes in the factor and product markets is especially worthy of research attention. At present in the vegetable canning industry, contractual arrangements carry such tight obligations for the producer that a family farm becomes practically a part of a 'put-out' system. In many types of agricultural production it seems likely that there will be less and less decision-making on the farms. Greater emphasis on quality of food products will hasten this tendency.

"Efficiency in marketing will remain important. More and more attention will have to be paid to closer integration of production with marketing processes. Many of our marketing problems during the next quarter century will arise in connection with production adjustments that will require establishment of efficient marketing facilities and organizations where none existed before.

"There is great need for research on the behavior of the firms that supply agriculture with those input factors that originate outside agriculture. Particular emphasis should be laid on the role of these firms in the decision-making process in agriculture, especially in connection with technological changes.

"Power relations. What kind of power relations are we likely to find within agriculture and between agriculture and the rest of the economy, and what are their implications for agriculture?

"Achieving a world perspective on the economics of agriculture. This has particular reference to the role of American agriculture in the world agricultural economy. The achievement of such perspective would depend upon understanding the interrelationships between domestic agricultural policy and (a) economic development in the rest of the world, and (b) foreign economic policy of the United States. In this connection agricultural economists should examine critically their role in the economic development of underdeveloped countries.

"The real demand for American agricultural goods in the foreign market should be studied in relation to the policy for each country that would best promote its own economic development. American agricultural economists are probably the logical group to make a systematic study of how American agriculture should fit into the agricultural economy of the world. The approaches now being used in the study of international trade seem to be inadequate analytically. The development of new approaches should be encouraged, especially some means for freeing comparative advantage analysis from those static assumptions that relate to productive organization within different countries.

"There is also need for appraisal of the repercussions abroad from the current governmental attempts to sell American farm surpluses, and especially for development of a broader concept of the public welfare.

"How many (or do) agricultural economists contribute to the economic development of underdeveloped countries, where there are few social scientists, especially agricultural economists? The latter have both a responsibility and an opportunity to assist in filling the professional gap in these countries.

"It would be helpful in studying foreign trade in agricultural products to have a compilation of modern methods and techniques used in international trade arrangements and an assessment of their effects on trade in agricultural commodities.

"Allocation of resources to research, education, and extension in agriculture. Taking the long-run view, are the allocations of resources rational? Are government programs working at cross purposes? As private enterprise continues to enter and expand participation in areas that formerly were exclusively the concern of Experiment Stations and Extension Services, are efforts being made to avoid duplication? Could the public institutions concentrate more on the basic research, leaving more of the developmental work to private enterprise? Is it consistent or wise to spend public money for research to increase yields while paying farmers not to plant as many acres?

"Human requirements in agriculture. What kinds of people are needed in agriculture? What are the technical, professional, and occupational needs of the whole of agriculture? How can agricultural colleges best serve these needs? What adjustments are needed in the undergraduate curricula in light of the fact that there are likely to be fewer opportunities for graduates to be farmers? How many people will there be room for in agriculture? It should be possible to set an upper limit. What kinds of education will facilitate the resource transfers that agriculture needs?"

In addition to the problem areas discussed above, the need for better theoretical formulations was mentioned repeatedly throughout the Committee's discussion of the agricultural problems of the next quarter century. The Committee's comments were as follows:

"Strong feelings were expressed that the ability of agricultural economists to formulate research problems theoretically has not kep pace with the development of their other methodological apparatus. Specific mention was made of the following:

"1. Theoretical problems in the areas common to agricultural economics and related technical disciplines and other social sciences: 'Bridge-building' between disciplines is badly needed, particularly for the understanding of problems and for the formulations that may lead to solutions.

"2. Linkage of our theoretical formulations with the appropriate aspects of philosophy: The philosophic literacy of the agricultural economists with respect to value problems might well be examined.

"3. Conceptual problems within agricultural economics, particularly the development of economic theory to take account of dynamic factors affecting agriculture: More fundamental understanding of decision-making processes in general is needed, especially with reference to traditional conceptualizations in such areas as demand and its modification, supply responses, and policies of marketing firms.

"To tie all these problems together they should be considered in relation to economic development."

IV

Such comments as I have to make with reference to the quoted sources are secondary. Each of you can agree or disagree as to the current influence and well-being of agricultural economists. Each of you can compare the Country Life Commission and Social Science Committee lists of problems and decide how much progress has been made since 1909, how much you like the prospect ahead.

Perhaps one or two statistical notes should be added. In 1953 there were about 20 agricultural economists listed as Deans, Directors, Provosts, Vice-Presidents or Presidents of Land-Grant Colleges. The number is now 30 or more. More important is the fact that agricultural economists now comprise a large, widely-dispersed professional group. As best I can estimate, there are almost 1,200 agricultural economists and related specialists in the Land-Grant experiment stations and extension staffs, another 25 economists in the Federal Extension Service, about 200 in the Farm Economics Research Division, Agricultural Research Service, and 375 in the Agricultural Economics and Marketing Research Divisions, Agricultural Marketing Service. We are aware, of course, that agricultural economists are now employed by many business firms--how many, I don't know. Altogether, the American Farm Economics Association now has somewhere close to 2,000 regular members (including students, libraries, and institutions, about 3,000).

So we should feel successful.

Yet many agricultural economists seem somehow dissatisfied with the present state of their science. Why?

Actually, it seems to me that this dissatisfaction traces to two different sources. Some of us may be asking too much of agricultural economics as a straight scientific discipline, while at the same time some of us may be giving too little to development of agricultural economics or, equally important, to finding ways and means of getting our materials or our know-how used.

On the one hand, we are obsessed with the idea of a <u>problemless society</u> --many of our talks and much of our literature seem to suggest that the farm problem if only left to rational, hard-headed fellows like ourselves would soon be vanquished, not temporarily but for all time. Along with this feeling, we can also easily develop an Atlas complex, a feeling we ourselves are responsible as agricultural economists for righting wrongs, for seeing that others concur with and act on our views. And in a world with a continuing flow of problems, some of which we have to live with for long periods, it is easy enough on over-long, too-hot days for an agricultural economist to sometimes feel frustrated.

This, of course, means that we turn to escape mechanisms. So we decide that we need more funds, a more sympathetic administrative structure, more general theory, or a different philosophic environment--the ways out are endless. But just as our longing for a static, problemless world is asking too much of agricultural economics, this second state asks too little. Agricultural economics is still what the agricultural economists make it.

To me at least our personal approaches to agricultural economics seem especially important.

In the earlier, pioneer days, the agricultural economists were establishing a new science. Their numbers were small, their problems were difficult enough, but at the same time, these same problems were new, often fascinating, and the group as a whole had a sense of mission, of going somewhere. We need to recapture this earlier zeitgeist.

We can count numbers and estimate salaries: I have done so. We can list problems: The Country Life Commission and the Social Science Committee have done so. We can lament our lack of general economic theory, of friends, of funds: We do. But somehow our leaders have managed to find or develop within themselves a system of agricultural economic principles and processes which deals with problems as they come and which does get results. J. D. Black, W. I. Myers, and T. W. Schultz are all examples of individuals who have developed a coherent set of principles and processes against which to measure or attack agricultural problems as they come: H. C. Taylor, W. J. Spillman, and G. F. Warren were earlier agricultural economists who had this same drive. We all need it.