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Comments on Ralph Christy's Paper

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Christy focuses on economics of public statistical systems, relationships between market structure and information, and information that is a product of exchange. He reports that there are two classes of information: Market data (prices, direct measures of supply and demand) and structural data (income, employment, nutrition, productivity, distribution of resources, etc.). According to Christy, we lack theory and methodology to solve informational problems and are unable to measure costs and benefits of information.

Christy points out that economic theory has been deficient concerning information by assuming perfect knowledge. He observes that information influences structure, behavior and performance and vice versa, but Industrial Organization is weak at analyzing vertical market relationships and firms' decision behavior process. Analysis of organizational behavior would permit better analysis of the role of information.

Christy examined the effects of four hypothetical market structures on costs and benefits of acquiring information and concluded that as concentration increases: Firms have incentive to deny public access to information, social benefits of information for market coordination decrease, and social benefits of information for public policy and regulatory control increase.

Christy concluded that when public statistical agencies' budgets were cut in the early 1980s, structural data gathering was hit hardest, resulting in a loss of socio-economic information. The loss of structural data was consistent with move away from competitive market norm, and we now may overproduce public market data.

¹The views expressed here are mine and do not necessarily reflect those of the Packers and Stockyards Administration or the USDA.

While I think Christy makes some good points, I was struck by the heavy emphasis in his paper on the role of *public statistical agencies* and on the role of *market data* and *structural data* as Christy uses the terms. Many papers on the general topic of market information appear to focus on management of public information systems and statistical agencies, emphasizing accessibility of data, confidentiality issues, costs of data collection, and benefits of the data to society. It isn't clear why there is so much emphasis on short-run market and structural data and on public information collection and dissemination.

In order to help focus on information needs, I prepared a table to illustrate who needs market information, what information they need and where they get it (Table 1). The table could easily be refined and expanded, but serves its principal purpose.

Virtually all of the categories in the table have government as one source of information. Many also have press or trade press which, in turn, depend heavily on firms and government for information. Many categories also list firms (including in-house, consultants, and business affiliates) as an information source. Ultimately, most information is obtained from some firm or from the government, and the government obtains most of its market information from firms.

The table also shows that information needs extend beyond short-run market intelligence. Firms, the public and government also need information affecting long-run decisions.

Observations/Issues

The following observations are intended to expand the debate about information in the context of market power issues but should not be taken as advocacy positions.

Table 1. Purposes, Types, and Sources of Information

Entity	Purpose	Type	Source
Firms	Business management	Laws, regulations	Conferences
		How to...(manage)	Consultants
		Cost control techniques	Trade press
		Feasibility assessments	In-house
			Newsletters
			Business affiliates
	Market intelligence	Prices	Government
		Quantity	Trade press
		Quality	In-house
		Sources of supply & demand	Business affiliates
		Terms of trade	
	Strategic planning	Product innovations	Trade press
		Process innovations	Consultants
		Supply & demand trends	Government
			Business affiliates
			In-house
Industry associations	Public information	Industry characteristics	Consultants
		Trends	Firms
		Topical issues	Government
		Pending legislation & regulations	In-house
			Conferences
	Technical assistance	Laws, regulations	Consultants
		How to...(manage)	Firms
		Research & development	Government
		Coordination	In-house
		Legal assistance	
	Political assistance	Pending legislation	In-house
		Pending legislation	Consultants
		Positions of officials	Press
		Lobbying assistance	Trade press
Public	Sell land & labor	Wages & input prices	Firms
		Input characteristics	Government
		Source of inputs	Press
		Health & safety of workers	Personal observations
	Buy goods & services	Prices	Firms
		Quantity	Press
		Quality	Government
		Special offers	Personal observations
		Weight and measures	
		Terms of sale	
		Health, safety, & other product features	
		Adverse legal rulings	
		Trends	

Entity	Purpose	Type	Source
Public (continued)	Investment (entrepreneurial & capital)	Profitability Lines of business Ownership Stock & bond prices Accuracy of representations Research & development activity Costs & quality of management Emerging regulations Trends	Press Firms Government Trade press
	Strategic planning	New product development Emerging input needs Change in industry structure	Press via Firms Government Consultants
	Citizenship Control Public policy	Personnel Taxes Health & safety Business practices Antitrust, market behavior & performance Environment Ownership & control Adverse legal actions Source of inputs & products Prices & indexes	Press via Government Firms Trade press Consultants
Government	Legislation & policy development Regulatory control Public information	All of the above	Firms Government Trade press Consultants Conferences Trade associations

1. The literature doesn't appear to address a number of questions about what kinds of information need to be distributed, how, and by and to whom.
2. While there obviously must be a large role for government, greater consideration could be given to when information should be supplied to the public by firms. There is increased interest in meeting public needs *without* federal outlays. Should firms, especially large firms, be required to disclose additional information to the public? If so, what information and how should firms be required to release it? Should firms be required to permit the government direct electronic access to selected company records?
3. Companies and others (including government) need information about operating costs, size economies, gross margins, profits by line of business, long-term contract provisions, how to operate a business, etc. This type of information isn't provided by public statistical agencies. Who will supply it?
4. The literature discusses size economies in obtaining information about *product exchange*. Are size economies also important in obtaining fundamental information about plant and company operations?

5. Historically, information has been collected and disseminated to assist in market coordination, generally assuming that markets are competitive. Information also needs to be disseminated that will help keep concentrated markets competitive.
6. Data and analytical procedures are needed that will permit the government (and perhaps others) to monitor competitive behavior of firms in concentrated markets. Information is needed to: Determine if market power exists and is used and, if so, how (mechanisms); support legal action; legislate rules governing acquisition and use of market power; encourage market entry; and influence consumer or public opinion. Publicly available data often are not adequate for a variety of reasons, including some listed by Christy.
7. Can mandatory information disclosure substitute for some traditional antitrust regulation?
8. As concentration in industries increases, greater attention may need to be given to potential company manipulation of data provided to government statistical agencies and private data collection firms. What are the conditions necessary for manipulation to occur? How can it be detected and corrected?
9. When is voluntary data collection warranted and when is mandatory data collection needed? Does reliance on voluntary data collection cause agencies to pull punches in requesting data?
10. What are the impacts of unauthorized release of confidential data? (Immediate market impacts? Harm to individual firms or specific groups of firms? Harm to long-run competitiveness pressures?)

In summary, I see potential benefits in addressing information needs from the perspective of controlling potential market power. In particular, there may be benefits from identifying kinds of information that can be used to promote competitiveness in concentrated markets and from determining what mechanisms and institutions can best meet those information needs most effectively and at least cost. Given the changes that are occurring in information technology and the structure of food industries, it may be appropriate to rethink fundamental concepts relating to kinds of market information needed and to delivery mechanisms.

For Further Reading

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