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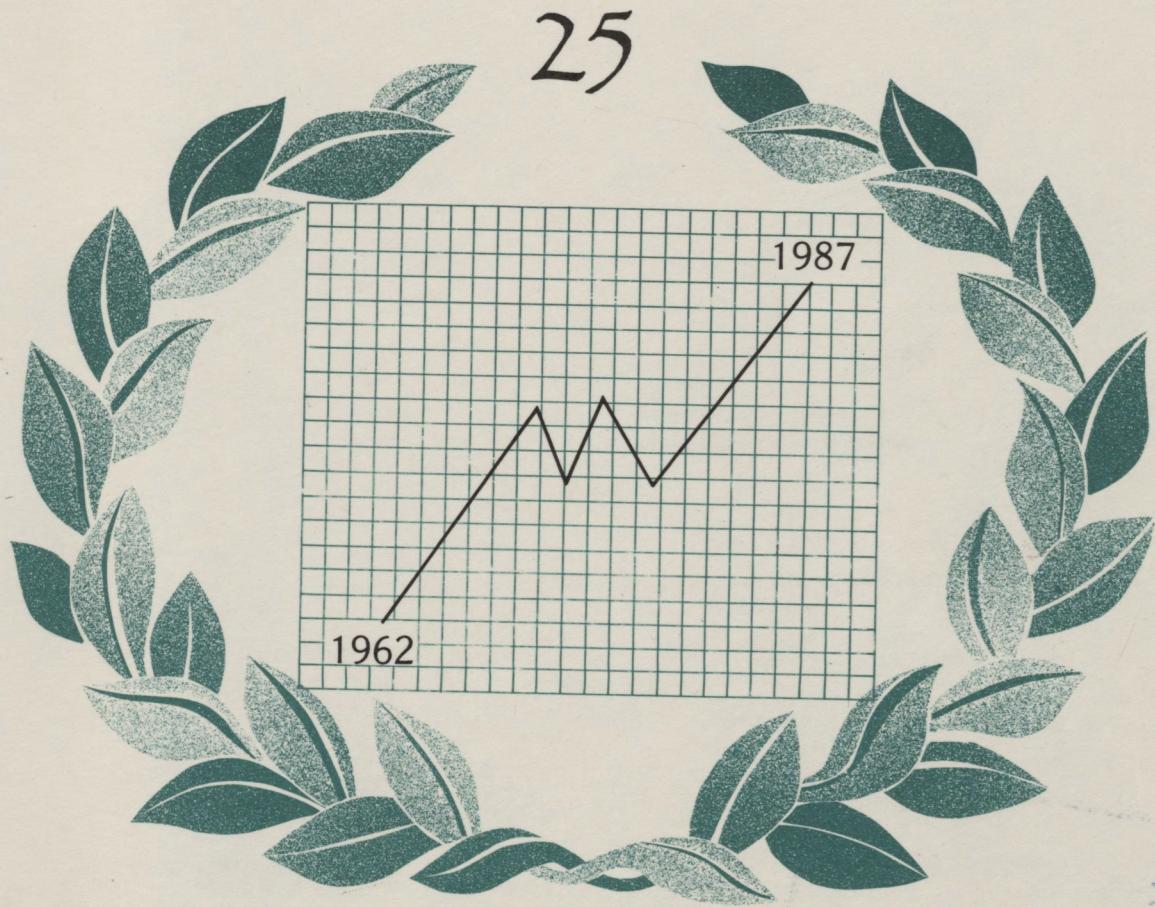
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# THE INVOLVEMENT OF THE AGRICULTURAL ECONOMIST WITH AGRICULTURAL POLICY - OR SHOULD HE WITHDRAW HIMSELF FROM THIS MESS?\*

by J.A. GROENEWALD\*\*

## ABSTRACT

Until very recently, agricultural economists made little impact on agricultural policy in South Africa. This contributed to the present serious problems. The causes appear to have been twofold: Antipathy or apathy among political and bureaucratic decision-makers and lack of proper professional conduct among agricultural economists. The agricultural economist's task is to analyse and monitor progress. The decision-maker must decide, act and bear responsibility. The problems agriculture is faced with will probably increase in magnitude and intensity. More attention should be given to the proper integration of agriculture in macroeconomic models and broadening them, proper focus on international agriculture, farm labour policy, social benefit/cost analysis and monetary and fiscal affairs. The challenge is comprehensive.

## INTRODUCTION

In his presidential address to the American Agricultural Economics Association in 1969, Dale Hathaway used the following words: "Increasingly, in response to requests of policy-makers, our profession has applied quantitative research techniques to provide estimates of outcomes of alternative policy actions. This work has had a major impact on policy and has brought demands for more policy research."

If Hathaway's observation of the American agricultural policy scene is approximately correct - and there does not appear to be any reason to doubt it - then, in the view of this speaker, this situation is in fairly stark contrast to that prevailing in South Africa.

Some politicians - on the legislative, control board and farmers' organisation levels - and bureaucrats at the policy-formulation level have often or even consistently displayed antagonism towards policy analyses and their reporting. Politicians and bureaucrats are, after all, human beings with a desire for power and hence a dislike of criticism. This is particularly evident in periods of

rapidly increasing state intervention. In such times, those who utter unpopular views - however well founded or substantiated - are often either ignored or have name tags attached to them. The decade of the seventies witnessed such name tagging, with expressions such as "yoke breakers" (skeibreakers). The term "academic" sometimes sounded like a swear word. It must also be stated that in the present decade - the eighties, with the present move towards reduction of state interference - this name calling has subsided greatly, although it has by no means disappeared. There are now definite instances in which opinions of some of these less popular observers are solicited by institutions and groups to which their opinions used to be anathema.

A second observation is the inability of agricultural economists in the sixties and seventies to penetrate centres of agricultural policy decision-making and analysis to a meaningful extent. To mention a few: The Standing Committee on the Economic Position of Agriculture and Agricultural Finance in General, the higher echelons of the Departments of Agriculture, the South African Agricultural Union (SAAU) and the majority of the control boards. There have lately been important breakthroughs in the establishment of an Agricultural Economics Division at the SAAU and the promotion of agricultural economists to senior positions - deputy director general and chief directors - in the Department of Agricultural Economics and Marketing. There has lately been an increase in appointment of agricultural economists on the staff of some control boards sometimes also referred to as marketing boards. Whether all of them are used efficiently is of course another matter. One must, however, report this progress, although the present situation is not yet satisfactory by any means.

Another negative observation is the scant interest shown by the bureaucratic sector and other centres of policy decision-making when up to 1985 our Society had its annual meetings with topics such as agricultural policy (twice), enterprise forms in agriculture, risk and uncertainty and future directions for agriculture. In 1985 an inter-sectoral conference was convened by the SAAU, the Afrikaanse Handelinstiut, ASSOCOM, the FCI and Seifsa. Once again no agricultural economist was invited to present a paper, although agricultural interests were of vital concern to the topic of the conference. Some fairly strange statements could

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have gone through unchallenged but for the fortuitous presence of a few economists not governed by vested interest groups, including some agricultural economics academics.

There has obviously been an antipathy or apathy regarding contributions by agricultural economists. The costs of such an attitude have been high. In this respect, one has only to point to warnings by Louw (1979) and Groenewald (1979 a and b and 1980) at symposia, some of them attended by senior policy decision-makers and all of them published, that if current trends continued, the agricultural sector was due for a financial crisis. These predictions were ignored to all appearances. Warnings on the effects of urban bias and a mercantilist approach in economic policy evidently shared the same fate.

Today, this financial crisis is in our midst, albeit aggravated and accelerated by severe drought.

Why did this happen? Is it something inherent in our social atmosphere during the sixties and seventies? Perhaps.

But have the agricultural economists been blameless? Have they really done their job? This is open to serious questions. It is more comfortable in the short term to conform, not to make too much noise. A colleague once told me: "If you keep your mouth shut, you don't get hammered" But is this an acceptable, honourable attitude? Haven't many of us often been metaphorically cowering silently in a dark corner when we should have spoken out?

At this juncture it may be advisable to have a look at what should be the role and the approach of the agricultural economist in policy decision-making.

## INTERESTS IN AGRICULTURAL POLICY

According to Don Paarlberg (1964), there are three disciplines involved in policy, each asking a different question and each using a different criterion for judgement:

Discipline	Question asked	Criterion for judgement
Economics	Will it pay?	Purse
Ethics	Is it good?	Conscience
Politics	Is it popular?	Votes

Policy is formed in an overlapping domain between these three. In 1983, Faan van Wyk took a managerial view of policy. He mentioned rational, effective and significant decision-making and action as the chief ends in policy. There does not seem to be any fault in applying this managerial dictum to policy. But then, looking at managerial theory, one is immediately struck by two essential elements of management - feedback and prediction. Have these been made usefully in South Africa? Have those involved in policy ever really shown interest in these things? One is inclined to doubt it. But have we as a profession emphasised the needs for them enough? Once again, there are doubts.

Einstein once said that chance favours the prepared mind. Have we already determined what preparation is needed? If not, this is an urgent task.

There are conflicts of interest in agricultural policy: The interests of an individual or a firm may conflict with those of the industry they are involved with. The interests of an industry may conflict with those of the economic sector or of the economy at large. Sectoral interests may conflict with one another and with the national interest. Objective functions coincide, differ and conflict. They can be competitive, complementary, supplementary and antagonistic.

Failure to specify objectives in policy analysis and policy discussion is either short-sighted or dishonest or both.

## THE AGRICULTURAL ECONOMIST: HIS ROLE IN POLICY

Having expressed some doubt both on whether agricultural economists have received adequate recognition and on whether they have acquitted themselves well of their task, another question should be addressed: what should be his role in agricultural policy?

Based partially on Shepherd (1955), the procedure of policy analysis and policy execution can be seen as a series of consecutive steps, some of which may be bypassed with newly observed problems:

- Recognise and define a problem. Describe the problem.
- Ascertain the objectives of policy. As put by Shepherd, "it means stating what the formers of the policy had in mind, entirely independent of what the research man thinks they should have had in mind and entirely independent of what the research man thinks the objective should have been." These distinctions should be clear. Mutual open honest criticism can only be useful in this respect.
- Compare performance with objectives. Also determine its costs. This may lead to a redefinition of problems.
- Outline all alternative possible solutions to the existing problem.
- Evaluate the probable consequences of each alternative solution. In the case of an existing policy programme, this may take the form of estimating the effects of modifications of the programme.
- Estimate the effects of and on alternative and other policy objectives.
- Choose the alternative best suited to the situation.

After these steps, it is the task of the policy maker to decide on policy and on policy measures. He, with the bureaucratic sector, has to take action and put policy into effect. The policy maker and bureaucratic sector should at this juncture accept responsibility and bear consequences - good or bad.

The analyst's task is, however, still not complete. He should monitor progress, determine to what extent actual events and results correspond to expectations, and to what extent the stated policy objectives are furthered. He should also, if it is

relevant, define new problems arising from policy action or lack of it.

It is therefore the economic analyst's job to aid the policy maker in his decision-making role and also to enable him to practice Management by Exception - devoting his attention to where action is needed, rather than to those facets where affairs are going smoothly.

The agricultural economist thus also has an associated mission - the analysis of events, their course and their consequences. He has to predict opportunities and problems.

The agricultural economist in South Africa should now, at this stage apply some introspection. We must ask ourselves: Have we always or habitually performed our task meaningfully? Have we really done it honestly? Have we done it consistently? It does not in all honesty seem to have been the case.

One excuse will not fail to be forthcoming. It will be said that policy-makers and bureaucrats have not always taken note of good analyses and have often ignored them. This appears to be a valid statement. But even so: What have we done? Have we as agricultural economists, or have we not retreated into our shells, afraid to get hurt? Have we been afraid of unpopularity with the politicians and bureaucrats? Have we always been honest in our prognostications? Or can we rightly be accused of forsaking our true mission?

It is perhaps appropriate to refer to the "national interest". Politicians often cite the "national interest" as their criterion when deciding on goals and actions. But inherent traits of the politician's occupational environment and of the bureaucrat's institutional set-up often exert negative effects on their objectivity and judgement. Institutions that are supposed to serve the public interest become more important than the interests they are supposed to serve. Some control boards seem to have fallen in this trap, together with other institutions.

It is the duty of our profession to analyse these factors and to point out weaknesses and problems that arise. The question can once again be posed: How willing have we been to do this objectively? Another nagging point of conscience also revolves around the question of how often agricultural economists' tunes changed with changes in employment!

Having tried to outline the logical role of an agricultural economist in policy matters and having also criticised our profession's performance, it seems appropriate to turn the attention to our future role.

## THE PATH FORWARD

According to Glenn Johnson (1971), economic and other problems being experienced by agriculture show the following characteristics:

- Continual change.
- Problems are practical, not disciplinary in nature.
- Multi-disciplinary, but not inter-disciplinary.
- Solutions involve market and non-market

adjustments.

They are so complex that many disciplines involved are deficient in theory, descriptive information and quantitative techniques.

They are both individualistic and social.

Normative knowledge is needed to construct prescriptions for solutions.

Attention should be concentrated on the right problems and therefore the scene - both in our commercial and less developed sectors - should be surveyed. A time horizon of 10 years will be used. South African agricultural problems and developments often follow those of the United States of America, usually with a time lag. The existence of forecasts by Kohls (1974) for the USA has considerably eased the task for this paper. Some forecasts are as follows:

- (i) The already critical and deteriorating cost-price squeeze on agriculture is likely to continue. Even if South Africa moves - as intended - away from a mercantilist protectionist industrial policy, institutional factors will increase such pressure. This phenomenon may indeed assume serious dimensions: Changeability, risk, uncertainty and instability in agricultural product prices and farm income will increase because of uncertain world markets and sometimes inept bureaucratic bungling with market mechanisms. Because of protection, non-competitive structures and their consequences on pricing and marketing behaviour, input prices will not be as volatile.
- (ii) Increased fixed costs and pressure on agricultural credit can be expected. Inflation, probably of a double digit variety, will continue, coupled with declining real incomes for many consumers. This will have a profound influence on consumption and optimum resource use.
- (iii) Food will increasingly and continuously be scrutinised publicly as regards availability, quality, relative prices, purity, health and also the ethics of business behaviour in food industries.
- (iv) Some interest groups will continually press for increasing regulation which, if successful, will limit personal freedom of choice further. This may be offset by increased pressure to reduce monopolisation and administrative red tape, both of which are cost increasing. Food will increasingly become a political battlefield.
- (v) The system will become increasingly sensitive to technological crises. Variation in production, processing and marketing practice will be reduced. This brings the danger that when something goes wrong, the damage can be severe.
- (vi) Increasing pressure on labour resources can be expected.
- (vii) International markets can be very volatile; large and rapid movements to either more or less protectionism can be expected, depending on a power struggle which seems to rage behind the

scenes in the Free World. These can have chain reactions on our options.

(viii) More countries may possibly expect financial crises.

(ix) Political instability and violence will certainly not leave agriculture unscathed.

## RESEARCH FOCUS

For agricultural policy, it has become vitally necessary to treat agriculture more realistically and economically more sensibly in the conduct of macroeconomic research. It has been stated in the USA (Kost, 1981) that: "Many of the operational macroeconomic models examined either ignore or treat the agricultural sector as exogenous. When the sector is treated as endogenous, it is most likely structurally misspecified and/or too small to provide much information about agriculture. Given the increased awareness about economic interdependence among sectors, the importance of agriculture, the growing demand for more detailed forecasts, and the elaboration of econometric models, both agricultural economists and macroeconomists should direct more attention to making agricultural sectors of macroeconomic models endogenous."

The over-partial and hence over-simplified models used in much policy-related research in South Africa constitute a general error that must be rectified. Our models must be broadened and the systems approach should accordingly be utilised much more than has hitherto been the case.

South Africa is, furthermore, a country which normally earns much of its agricultural revenue on export markets. Developments in international commodity markets, international capital markets and related fields influence exchange rates and eventually the totality of the environment involving prices of imported inputs, realised prices for export products, local product prices, rates of interest, etc. (See, for example, Schuh, 1974 and 1985). This dimension of agriculture and agricultural policy has received virtually no appreciable attention from our local profession. This must serve as an indictment. It has now become imperative to concentrate research on (particularly) interactions between exchange rate policy, fiscal policy, monetary policy, hedging on exchange rates and on commodity prices, agricultural export and incomes accruing to farmers and the agribusiness complex.

The relative dearth of policy-directed research on farm labour in a country such as South Africa is likewise difficult to explain and even more difficult to condone. More research ought to be concentrated on this important field. This, again, will be intertwined with tax policy, credit policy and import substitution.

Many more questions are awaiting answers, if not recognition as a prerequisite to analysis and answers. What, for example, will be the effect on agriculture as a broad sector and on agricultural enterprises in particular, if movement is towards or

further away from a more market oriented system with a lower degree of intervention?

Let us take the embattled meat industry as a case in point. This industry is plagued with many important unanswered questions. We may pose the question as to who, if anybody, benefits from the actions of the Meat Board, the Abattoir Commission and the Abattoir Corporation. Do these beneficiaries include farmers as primary producers, and if so, which farmers? Do the beneficiaries include consumers or groups of consumers? Or are traders or groups of traders the main beneficiaries? Would it be retailers, or wholesalers? Who, if anyone, is harmed by the present schemes? What would be the effect on every interested party if the system is changed? It seems that we must start to devote more serious attention to social cost/benefit analysis of agricultural policy. The methodology has undergone substantial development overseas (Mann, 1977).

We must also start to address the question of whether the country's fiscal and monetary policy and the money market suffice for the need to establish a healthy agricultural system. Which changes are possible or desirable?

It may be good to end this section with a quotation from the same source used in the opening of this paper (Hathaway, 1969):

"So far our research has not dealt adequately with many of the major policy issues of deep concern to farm people and the larger society. We have offered little in research results on these issues: who should control the food and fiber industry; what are the total social costs and returns from different methods of organizing the industry or its subsectors; who does and should get the benefits from our expensive government programs; what is the most desirable distribution of our economic growth and population; how can we achieve a desirable physical environment in which to live and work; what trade policies will meet the multiple goals we have with respect of the world. Moreover, ... our policy models are still largely restricted to agriculture, with too little attention to inter-sector relationships and to issues beyond economics."

## CONCLUSION

In 1978 Clark Edwards aired the opinion that economics research makes sense only if directed at the solution of real social problems. Research is often not noticed or used by those who should, theoretically at least, do so. The cause can be threefold:

- Policy makers and their bureaucratic aids may not be interested in objective research and may be primarily interested in persevering with their established and customary actions.
- Research has not really been directed at significant problems.
- The research has not been conducted properly on a sound scientific basis.

Unfortunately, we in South Africa have witnessed all too many examples of all three:

Complacent bureaucrats; image-conscious politicians; agricultural economists wasting research efforts, funds and energy on trivial aspects that will hardly affect anybody's action or welfare within the ensuing few decades and researchers who fail to utilise their prime resource - the human brain - to plan and execute their studies properly and who therefore opt for imitation.

We have certainly moved into a mutual creditability gap, which cannot be afforded any more. This gap has to be narrowed and eliminated. This will require sustained effort. We will have to turn increasingly to sound theory, thorough thought and sound logic. As put eloquently by Glenn Johnson (1971): "Closing this credibility gap ... requires disciplinary progress and the maintenance of disciplinary excellence. When the use of logic and appeal to experience are discredited, people begin to reach conclusions emotionally and in an unobjective, inaccurate way." Such a phenomenon is indeed not rare on the social, economic or agricultural scene in South Africa. But Johnson continues: "As some of the young people put it these days, they feel it in their guts. Guts were made for digesting food, not for thinking and observing. We have brains with which to reason and senses with which to observe and we should not discredit them by using inadequate normative and positive theories and erroneous descriptive information to incorrectly interpret sense impressions while failing to learn and develop more appropriate theories and better information."

This indeed is our challenge. It is also appropriate to direct a special appeal to younger agricultural economists, those in the early or middle stages of their careers. You are the people on whom the future agriculturally related welfare will depend. My appeal to you is to do your investigations

diligently, honestly and continually. Do not shrink back when you meet obstacles. Persevere. Truth is a hard task master. But truth is the winner at the end of the game. And its rewards exceed those of all others.

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