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SOCIAL AND ECONOMIC INDICATORS OF THE FARM SECTOR: DISCUSSION
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The topic of this session--the measurement of the social and the economic welfare of the farm sector--is extremely important at a time when major changes in the farm sector and in agricultural policy are being discussed. We had hoped to come here to discuss two papers which would make important intellectual contributions to this field. Unfortunately, our expectations were not realized, and we were somewhat disappointed in the papers. In our judgement, neither of these papers is of sufficient scope or depth to pass the peer review of a reputable journal; however, the issues raised by these papers are important and deserve discussion.

Welfare economics
Let us first consider Fox's argument that "objective social indicators are not discipline oriented" and that social accounts and related information need not be discipline specific. This argument may indeed be valid, but it presupposes the existence of an interdisciplinary framework for the definition and measurement of well-being. To our knowledge no such interdisciplinary structure exists and Fox fails in his paper to fill this void. As economists, we view the relevant conceptual framework to be that of modern welfare economics, while acknowledging that sociologists and anthropologists have developed and employ alternative frameworks. These frameworks exist to provide operational definitions for the measurement of well-being. Without such organizing principles the formulation of social indicators is arbitrary and ultimately futile.

Recognizing that the set of organizing principles used by economists to study well-being is welfare economics, it seems inconceivable that Fox entirely ignores this literature in his discussion of social indicators. Use of these principles by Fox would, at the very least, permit the wide variety of

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descriptive measures of well-being identified in the paper to be translated into a framework useful for policy analysis. Moreover, Fox does not explain how his framework might be compared to modern welfare economics. For example, recent work by Jorgenson, Lau, and Stoker (1980) uses modern welfare economics and econometrics to investigate the impact of deregulation on the well-being of over 600 demographically distinct classes of households. In our eyes this line of research has been quite successful. In order for Fox to persuade economists to use his methods, he must explain how his methods compare to those of modern welfare economics and why they are to be preferred.

Baum and Johnson begin their paper by arguing that the existing data available for analysis of policy and welfare are inadequate. They suggest that the development and availability of disaggregate data should be a priority at USDA. We could not agree more. Indeed, in the introduction to a forthcoming book on agricultural productivity measurement, Antle and Capalbo conclude that "little more can be gained by continuing to ply the existing aggregate time series data with the static, neoclassical models. Both new, disaggregate data and new, more general models of the firm and sector, and appropriate measurement methods, are needed..." (Antle and Capalbo (1987))

Unfortunately, the Baum and Johnson paper says little beyond this observation. For example, they review the evolution of agricultural policy to support their contention that there is a need for analysis of the distributional effects of policy. We do not understand why they believe they need to outline the history of agricultural policy to make this simple, obvious point. Another brief section of the paper raises the problem of the heterogeneity of the farm sector. This discussion was disappointing for its apparent lack of recognition of what is essentially the aggregation problem, and the associated literature.

The central part of the paper discusses the ongoing attempts to develop a disaggregate database by ERS, and their attempts to develop an "integrated information paradigm" along the lines suggested by Bonnen. With regard to this part of the paper we make two points drawing on our discussion of Fox.

First, information is not collected costlessly; therefore to be efficient in data collection one must optimally choose the information set. This optimal set will depend upon the issues to be addressed by the data and the research paradigm to be employed. From our perspective the issues pertain to agricultural production and policy while the paradigm is neoclassical economic theory. Certainly, ERS may well have different issues and paradigms in mind; but, we find no evidence in the Baum and Johnson paper of a conceptual framework for data collection.

Our experience with numerous attempts to collect primary economic data suggests to us that without such a framework, and without careful attention paid to the measurement problems associated with important categories of inputs, especially capital, the data will be deficient for the kind of economic research that is needed to measure welfare change. Moreover, absent a framework, suboptimal data collection will likely result in wasted time and the collection of useless or irrelevant information.

Second, we were disheartened by the statement that the Farm Costs and Returns Survey (FCRS) cannot be used outside ERS due to confidentiality laws. While we acknowledge that it is the responsibility of the USDA to preserve the confidentiality of respondents, it also seems their responsibility to undertake the steps necessary to insure confidentiality while at the same time making a public use version of the FCRS available to the profession. How can one justify the high costs of carrying out such a survey, if not to make the information available in a useful form to researchers.

It would be decidedly unfair to ERS if we did not acknowledge the improvement over previous sources of farm level information afforded by the FCRS. However, we also feel a responsibility to point out weaknesses in the FCRS that inhibit its usefulness in the applied welfare analysis of agricultural policy. In particular, we feel the FCRS project would benefit from: 1) a clear statement of the policy issues intended to be addressed by the data set, 2) the adoption of a panel design where major producers are included in the sample with probability one, 3) an attempt to collect, to the extent possible, both price and quantity information on inputs consumed and outputs produced, and 4) an investigation of the procedures necessary to produce a public use version of the FCRS.

We hope our comments have served to underscore the importance we place on explicit theoretical frameworks for the operational definition of concepts like well-being and the collection of information necessary to quantify concepts. As economists, welfare economics serves as the framework for the definition and measurement of well-being, but we do not reject out of hand alternative frameworks from other disciplines, should such frameworks prove superior. However, for policy applications we do reject notions of well-being based upon unstructured thinking that are ambiguous, highly subjective and ultimately nonquantifiable.

Antle, John M. and Susan M. Capalbo. "Introduction to Agricultural Productivity," in Agricultural Productivity: Measurement and Explanation, Capalbo and Antle (eds.) (Washington, D.C., Resources for the Future, Forthcoming, 1987).

Jorgenson, Dale W., Lawrence J. Lau, and Thomas M. Stoker. "Welfare Comparison Under Exact Aggregation," American Economic Review vol. 70, no. 2 (May) 1980, pp. 268-272.