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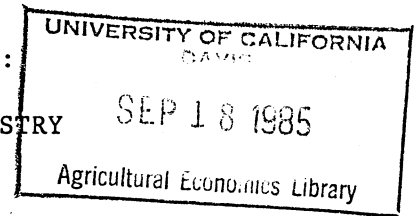
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MONETARY POLICY LINKAGES TO AGRICULTURE:  
AN OVERVIEW OF IMPACTS ON THE FARMING INDUSTRY



Luther Tweeten\*

The most dramatic development in American agriculture in the past decade has been the impact of macroeconomic policy on the farming economy. To be sure, farmers are no strangers to macroeconomic perturbations. From after the Civil War to the Great Depression, agriculture experienced periodic buffeting by business cycles. The nation had neither the macroeconomic theory nor the institutions required to avoid business cycles.

Macroeconomic theory and institutions to stabilize the economy have improved. Yet macroeconomic conditions continue to be a major source of uncertainty to farmers and others. Since the Great Depression, economic cycles trace increasingly to government policy. Jolts to the farming economy from economic cycles are more the result of public decisions rather than of private business decisions. At issue is what macroeconomic policy has done to the farming economy and how can such policy be improved.

This paper has two objectives. One is to review the impact of macroeconomic policy on agriculture; the other is to examine briefly

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<sup>1</sup>Much of this overview is from a paper presented to the Great Plains Agricultural Council (1985b). That paper emphasized the Great Plains, but results for that region largely apply to other regions.

1985  
Economic Policy

the root cause and required cure for macroeconomic policy decisions that have so abused American agriculture in the 1980s. I digress from the "monetary" title assigned to examine impact of both monetary and fiscal policy. That is because it is difficult to determine the impact of monetary policy without knowing the fiscal policy context -- or vice versa.

I separate macroeconomic impacts into cost-price stress, cash-flow stress, debt stress, and demand stress in the following sections. Cost-price and cash-flow stress were largely the product of erratic and overly expansionary monetary policy in the 1970s. Debt stress and demand stress are products of overly expansionary fiscal policy coupled with monetary restraint in the 1980s.

#### Cost-Price Stress in the 1970s

If changes in the general price level always were associated with proportional changes in all prices, policies causing inflation or deflation would have little impact on agriculture.<sup>1</sup> But all prices do not change in the same proportion, hence changes in the general price level have differential real economic impacts among sectors of the economy.

Researchers have used two approaches to measure the impact of monetary policy on agriculture. One is to relate money supply to variables of interest; the other is to relate inflation and deflation to the variables of interest. I prefer the latter approach because the relationship between money supply and farming industry variables is erratic and tenuous in the short run. Changes in the velocity of money

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<sup>1</sup>Principal and interest also would have to be indexed to avoid real balance effects of general price level changes.

and problems in measuring money supply obscure the relationship between farm prices and money supply in the short run. In the long run, because of a close relationship between money supply and inflation (or more generally, changes in the general price level), the two approaches tend to converge. The proposition that "inflation is always and everywhere a monetary phenomenon" makes sense only for the long run.

In theory, it is not possible to say a priori whether agriculture is made worse off or better off by a change in the general price level caused by a change in the money supply. Two opposing hypotheses have been advanced:

(1) The first is that agriculture is one of the few flexible-price sectors of the economy where product prices are set competitively. Adjustments to supply or demand shocks are apparent more in price changes than in quantity changes. Holders of cash balances enlarged by monetary expansion convert excess balances into real goods and services. This creates excess demand which raises prices most quickly in flex-price sectors characterized by inelastic supply. Most sectors of the economy including the farm input supply sector are characterized by imperfect competition and sticky prices. In the non-flex price sectors, adjustments to economic conditions are made mostly by changing quantity placed on the market rather than by changing price. If this hypothesis holds, prices received by farmers react more than prices paid by farmers to changes in money supply. So deflation worsens terms of trade (ratio of prices received to prices paid) for farmers and inflation improves terms of trade for farmers because, under the latter, prices received by farmers increase faster than prices paid by farmers.

(2) The opposing hypothesis is that the imperfectly competitive input supply sector passes higher prices along quickly to the next link in the marketing chain -- farmers. Farmers, who are price takers, not price makers, cannot pass higher input prices along quickly because each farmer has no control over price. Hence an expansion in the money supply increases prices paid by farmers more quickly than prices received by farmers. So inflation worsens terms of trade for farmers.

Empirical evidence indicates dominance of the second hypothesis (Tweeten, July 1983, pp. 61-64). Each 1 percent increase in the general price level increases prices paid by farmers about 1.5 percent in one year and prices received by farmers by 1.0 percent. It follows that the ratio of prices received to prices paid by farmers falls about 1.5 percent for each 1 percent increase in the general price level. The overreaction to inflation or deflation is mostly offset the second year. Thus inflation or deflation has no real impact on farm prices in the long run. Because the cost-price squeeze induced by changes in the general price level is short-lived, it contributes to instability but not to chronic low returns in farming.

#### Cash-Flow Stress in the 1970s

We now turn to impacts of macroeconomic policy on cash flow in agriculture. Farm debt per dollar of net farm income (including the household and after-inventory adjustment) increased from \$2.31 in 1959 to \$3.75 in 1979 to \$5.71 in 1983 for the United States. (See later tables for basic data.) Great Plains states displayed similar patterns.

In the 1970s, high inflation created high nominal interest rates which in turn created cash-flow problems for investors. Many observed

the high and growing ratios of (a) land interest payments to rents, and (b) debt to earnings after interest and erroneously concluded that land was overpriced. Yet real returns were highly favorable -- much more favorable than on major alternative investments. Farmers were protesting in tractorcades in the 1970s probably because cash flow was unfavorable. Such a paradox is not unexpected in an inflationary economy.

To understand why, it is well to review briefly the theory of land pricing. Farm real estate accounts for three-fourths of farm assets and contributes heavily to farm economic gains and losses. A key economic relationship underlying cash-flow problems of the 1970s and debt problems of the 1980s is expressed in the following formula (Tweeten, 1981):

$$(1) P_t = R_t / (b - i')$$

or rearranging terms

$$(2) (R_t / P_t) = b - i'$$

where  $P_t$  is land price per acre in year  $t$ ,  $R_t$  is land earnings or rent,  $b$  is the desired or normal market real rate of return on investment in farmland (nominal return less the inflation rate), and  $i'$  is the expected real annual rate of increase in land earnings. If real land earnings are expected to keep pace with inflation so  $i' = 0$ , then the ratio of rent to land price in a well-functioning economy is a constant  $b$ . Let us make the following reasonably realistic assumptions for a well-functioning economy:

- Investors desire a real rate of return averaging the long-term historic rate of 4 percent.
- The nominal interest rate is a real interest rate of 4 percent plus the inflation rate.

-- Land value increases at the same rate as rent. That conclusion follows from equation (1) above because land rent is a constant proportion of land price. Hence, the nominal capital gain rate on land is the inflation rate  $i$  and the real capital gain rate is  $i'$ .

With this background the following text table shows how cash-flow problems characterize an inflationary economy:

Assumed inflation rate	Land value	100 percent debt				25 percent debt		
		Mortgage interest	Rent	Capital gain	Total return	Mortgage interest	Income after interest	Debt- income ratio
(%)		Dollars per acre						
0	1,000	40	40	0	40	10	30	8.33
4	1,000	80	40	40	80	20	20	12.50
8	1,000	120	40	80	120	30	10	25.00
12	1,000	160	40	120	160	40	0	Large

The table also shows how it is normal for debt-income ratios to rise in an inflationary economy such as the 1970s. Current rent (earnings) plus capital gain equals the mortgage interest with 100 percent debt, hence there is no pure profit but a 4 percent real return with each inflation rate. All costs are covered by returns. With zero inflation the current return covers the mortgage interest, hence there is no cash-flow deficit on a perpetual mortgage. With 12 percent inflation and full debt, however, a cash-flow problem is apparent -- current rent falls short of the mortgage interest by \$120. Capital gain makes up the difference but the capital gain is realized only when land is sold. Four acres of rent are required at 12 percent inflation to pay the mortgage interest on one acre. Inflation raises immediate costs and

defers returns. In theory, borrowers can service cash flow by refinancing each year using capital gain as collateral. Lenders are reluctant to lend on paper profits, however.

Now assuming 75 percent equity, the rent less mortgage interest leaves a \$30 "income" after interest and a debt-income ratio of \$8.33 with no inflation. With 8 percent inflation, income after interest is \$10 and the debt-income ratio is \$25. Yet the real rate of return remains 4 percent before income taxes in all inflation scenarios. In short, inflation creates cash-flow problems although not necessarily low real-return problems.

#### Debt Stress in the 1980s

Off-farm income and refinancing with collateral from capital gain helped owner-operators to weather cash-flow problems of the 1970s. The debt or financial stress problem of the 1980s has similarities to the cash-flow problem of the 1970s but differs in one very fundamental respect -- the 1980s features high real interest rates and not just nominal interest rates. High nominal and low real interest rates were associated with inflation which created capital gains benefiting farmers in the 1970s. High real interest rates are not offset by capital gains and, if following after lower real interest rates, are attended by real capital losses.

High real interest rates in the 1980s created two direct problems for farmers. One was high interest payments apparent for Great Plains states in Table 1. Gross farm income held up rather well for the overall 1979-1983 period. Production expenses before interest displayed a mixed pattern of increases among states. But interest expenses climbed for all Plains states between 1979 and 1983 and



Table 1. Gross farm income, production expenses and net farm income before and after interest expenses for Great Plains States and U.S., 1979 and 1983.

State	Gross farm income		Production expenses before interest		Interest		Net farm income			
							Before interest		After interest	
	1979	1983	1979	1983	1979	1983	1979	1983	1979	1983
	----- Million dollars -----									
Colorado	3,415	3,326	2,708	2,399	290	480	707	927	417	447
Kansas	6,788	6,439	5,026	4,972	486	870	1,762	1,467	1,276	597
Montana	1,562	1,924	1,307	1,422	239	450	255	502	16	52
Nebraska	6,345	7,141	4,878	5,686	587	1,070	1,467	1,455	880	385
New Mexico	1,249	1,140	947	947	87	140	302	193	215	53
North Dakota	2,558	3,502	1,839	2,270	283	580	719	1,232	436	652
Oklahoma	3,679	3,475	2,484	2,667	326	600	1,195	808	869	208
South Dakota	2,549	3,061	1,616	2,053	297	540	933	1,008	636	468
Texas	11,063	11,143	8,349	8,779	754	1,370	2,714	2,364	1,960	994
Wyoming	791	687	626	619	80	130	165	68	85	-62
U.S.	145,413	163,163	101,141	125,593	12,021	21,470	44,272	37,570	32,251	16,100

Source: Basic data from U.S. Department of Agriculture (January 1985).

severely depressed net income after interest. In 1983, U.S. net farm income before interest was 85 percent of the unusually high 1979 nominal value. But 1983 net farm income after interest was less than half the 1979 value.

Asset values increased in most Great Plains states from January 1, 1980, to January 1, 1984, but debts increased much more (Table 2). Debt-asset ratios rose in all states except Texas. The largest increases in debt relative to assets occurred in the Dakotas and Nebraska. One reason is because these three states have the most restrictive laws governing outside investment in agriculture. They depend more heavily on agriculture than most states and were strongly influenced by declining grain export markets.

Operators with debt-asset ratios exceeding 70 percent will find financial survival difficult. In the Northern Plains in 1984, 22 percent of farm operators had debt-asset ratios exceeding 40 percent and 8 percent had ratios exceeding 70 percent (Drabenstott and Duncan, 1985, p. 6). In the Southern Plains, 16 percent of farm operators had debt-asset ratios exceeding 40 percent and 7 percent had ratios exceeding 70 percent.

Other explanations have been given for the sharp drop in farm asset values since 1980. A common contention is that investors bid speculatively on land in the late 1970s, driving prices to levels unwarranted by earning power of land in agricultural uses. Data in Table 3 refute that hypothesis. Similar but more reliable data (not shown) for Midwestern states also consistently refute that hypothesis.

As indicated in equation (2), the appropriate rent-land value ratio in a well-functioning land market equals  $b - i'$  where  $b$  is the

Table 2. Balance sheet of the farming sector (including farm households) for Great Plains States and U.S., January 1, 1980 and 1984.

	Assets		Debt		Equity		Debt-Asset Ratio	
	1980	1984	1980	1984	1980	1984	1980	1984
	----- Billion dollars -----						Percent	
Colorado	18.0	19.8	4.0	4.8	13.9	15.0	22.4	24.2
Kansas	37.6	36.3	6.7	8.7	30.9	27.6	17.7	24.1
Montana	18.6	19.8	3.3	4.5	15.3	15.4	17.7	22.5
Nebraska	40.3	35.8	8.1	10.7	32.1	25.1	20.1	30.0
New Mexico	10.5	11.3	1.2	1.4	9.3	9.9	11.3	12.5
North Dakota	23.8	25.0	3.9	5.8	19.9	19.2	16.4	23.0
Oklahoma	27.3	29.2	4.5	6.0	22.9	23.2	16.4	20.6
South Dakota	18.7	18.3	4.1	5.4	14.5	12.9	22.2	29.5
Texas	79.1	108.0	10.4	13.7	68.7	94.3	13.2	12.7
Wyoming	7.0	7.5	1.1	1.3	5.9	6.2	15.4	17.0
U.S.	1005.5	1031.1	165.8	214.7	839.7	816.4	16.5	20.8

Source: Basic data from U.S. Department of Agriculture (January 1985).

Table 3. Actual real rate of increase in net cash land rent for 1960-69 and 1970-79 periods and expected future rate of increase based on 1980 conditions.

State	Annual rate of increase $i'$ in real net cash rent/acre		
	Actual Average		Expected if $b = .04$ or 4%
	1960-69	1970-79	1980 <sup>a</sup>
	----- Percent -----		
North Dakota	4.16	5.38	-1.54
South Dakota	2.67	1.73	- .90
Nebraska	7.38	3.87	-2.88
Kansas	1.58	4.25	- .87
Oklahoma	2.69	2.29	-1.10
Texas	.43	.97	- .96

Source: Unpublished work sheets, Economic Research Service, U.S. Department of Agriculture. Net rent is gross cash rent less property taxes. Data unavailable for other Great Plains states.

<sup>a</sup> Computed from formula  $i' = b - (R_t/P_t)$  where  $b$  is the desired real rate of return on farmland investment,  $R_t$  is current net land rent, and  $P_t$  is current land price.

desired real rate of return on investment and  $i'$  is the expected future annual rate of increase in real land rent. Great Plains investors historically have accepted a 4 percent real rate of return (after adjusting for inflation) on assets. This return slightly exceeds the 3 percent historic or long-term real interest rate on farm mortgages and well exceeds the zero average real interest rate on Federal Land Bank loans in the 1970s. Given this information and data on land net cash rent (cash rent less property taxes) and land prices, equation (2) was solved for  $i'$ . Results in Table 3 show expected future real rates of increase in land rent required to justify actual land value in early 1980. In each state investors on the average behaved as if expected real future land earnings would decline!

Were such conservative expectations warranted by historic land earnings trends? For the Plains states for which data are available, real land rents increased from .4 to 7.4 percent per year in the 1960s and from 1.0 to 5.4 percent per year in the 1970s. Expected future increases in real land rents were in all instances well below rates of increase for the 1960s and 1970s. Clearly, land was not overpriced in 1980 based on information available at that time. Data not shown for states outside the Great Plains show similar patterns.

From the 1985 perspective, however, farmland was overpriced in 1980. What went wrong? The second direct problem stemming from high real interest rates is real wealth losses as explained below. Table 4 shows that rents either increased or changed little from 1980 to 1984, hence it was not expectations concerning real land earnings which went awry. Instead, it was the real discount rate which changed. The real interest rate on farm mortgages went from a long-term average of 3

Table 4. Actual net cash rent and land value for 1980 and 1984, and projected land value if the desired real rate of return is 8 percent ( $b = .08$ ) and future land rent remains at real 1984 value.

State	Net cash rent		Land value/acre		Projected land value 1984 if $i' = 0$ and $b = .08$
	1980	1984	1980	1984	
----- Dollars per acre -----					
North Dakota	22.10	26.86	399	414	336
South Dakota	16.62	20.73	339	327	259
Nebraska	41.27	46.27	600	495	578
Kansas	27.91	30.96	573	528	378
Oklahoma	17.32	19.00	597	653	238
Texas	22.22	23.35	448	646	292

Source: Basic data from unpublished work sheets, Economic Research Service, U.S. Department of Agriculture.

<sup>a</sup> Computed from formula  $P_t = R_t/b$  where  $b$  is .08.

percent and a 1970s average of zero percent to 8 percent in 1984. The latter rate was unprecedented and no one anticipated it. As investors adjusted upward their desired real return on farmland to cover interest costs, land values fell. Table 4 shows land prices justified in 1984 if the real discount rate on farmland is 8 percent and land earnings are expected only to keep up with inflation so  $i' = 0$ . Although land values appeared to have bottomed out in Nebraska, they still had room to fall in other Plains states, particularly in Oklahoma and Texas.

#### Demand Stress in the 1980s

As noted earlier, land earnings mostly had retained their real levels to 1984, helping to avert an even sharper drop in asset value than actually occurred. But that conclusion fails to note the decline in export market demand and the large role played by government in maintaining land earnings. Excess capacity, defined as production with normal weather in excess of what the market would absorb at existing prices, was 5 percent of output in 1984. Federal Treasury cost of approximately \$15 billion per year was required to alleviate that excess capacity which exists at the will of government. Release of 5 percent excess capacity on the market would depress prices approximately 20 percent and receipts 15 percent.<sup>1</sup> Growing evidence suggests that more excess capacity will be released on the market to reduce government costs of programs in the later 1980s. Real farm prices and land earnings have fallen since data in the above tables were reported. Commodity prices and receipts may continue to fall,

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<sup>1</sup> Assuming a short-run price elasticity of aggregate demand of  $-.25$ . In the long run, government programs tend not to influence the average level of farm prices and incomes.

further reducing land prices in some states in the Great Plains and elsewhere.

The fall in demand for farm output, largely from exports, has been more the result of macroeconomic policies than of trade policies. Large federal deficits in a growing full-employment economy create heavy demand for money relative to the supply of money. Large demand for savings in the face of a relatively fixed domestic supply of savings bids up interest rates. The high real interest rates attract dollars from abroad. This augments the supply of savings and constrains the rise in interest rates. But the strong foreign demand relative to supply of dollars drives up the value of the dollar in foreign exchange markets. The farm trade weighted value of the dollar has increased approximately 40 percent in real terms since 1980.

Foreigners on average would face U.S. farm export prices 40 percent higher today than in 1980 even if the price to U.S. farmers had not changed. The result is incentives for foreign consumers to go elsewhere for supplies, and for foreign producers to produce more to realize higher prices and fill the demand. The dollar currently is overvalued by 40 percent according to some estimates (Bergsten, p. 19).<sup>1</sup> This implies that U.S. exports are implicitly taxed up to 40

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<sup>1</sup>This is not to deny that the dollar is not in short-term equilibrium. World financial markets are highly efficient and the dollar is not held high by speculation. But forces holding up the dollar such as high federal deficits and high real interest rates will not be sustained. The dollar and the balance of payments deficit will fall as these underlying influences fall.

Some have said the value of the dollar is high because the U.S. is a "safe haven." If the dollar is truly overvalued in relation to purchasing power parity, it could fall at almost any time, causing large real wealth losses to holders of the dollar. That is hardly a safe haven.



percent and imports subsidized up to 40 percent. The result is a loss in comparative advantage for U.S. farm products in world markets, excess capacity, depressed farm prices, and low farm income. High real interest rates have precipitated financial crisis in several developing countries, forcing them to cut back imports of U.S. farm products. Exodus of capital to the U.S. may have slowed domestic economic growth in foreign countries, especially in developed countries, further reducing U.S. farm exports.

### The Role of Sound Macroeconomic Policy

#### In Alleviating Farm Problems

Farm economic problems of the 1980s -- debt stress, demand stress, and low commodity and land prices trace largely to a common source -- U.S. macroeconomic policy. Econometric estimates indicate that many of the current economic problems of agriculture would be alleviated with favorable macroeconomic policies, although time would be required to do so. Many farmers and markets lost in the 1980s can never be retrieved, however.

#### Alleviating Financial Stress

Estimates indicated that a more balanced federal budget would reduce real interest rates by 4 percentage points (Tweeten 1985a).<sup>1</sup>

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<sup>1</sup>Evans (1985) found no influence of federal deficits on interest rates, a complete contradiction of my statistical results. Evans' work is not relevant to conditions in the 1980s because it relied on highly abnormal wartime experience and on peacetime experience when federal deficits were small or offset by local and state surpluses which he ignored. The shortcomings are similar to those in earlier studies which erroneously showed no impact of exchange rates on exports -- an expected result using data for periods with fixed exchange rates. My more recent estimates for interest rates should be more reliable than those of Evans.

For example, this would lower interest rates on Federal Land Bank mortgages from 12 percent to 8 percent. Such lower interest rates would add \$8 billion to net farm income. Financial stress to farmers would be reduced not only by lowering interest costs and raising farm income but also by raising land earnings and land prices.

#### Alleviating Excess Capacity

Lower real interest rates also would help alleviate financial stress in developing countries. This would reduce the need for trade surpluses to service debt, thereby allowing them to increase their imports of our farm products. Lower real interest rates would in time reduce the value of the dollar by 20 to 40 percent. Each percentage point reduction in the value of the dollar would raise farm exports .5 percent in the short run and 1.0 percent in the long run. The resulting approximately 20 percent increase in U.S. exports would alleviate much of the excess capacity in agriculture.

The adjustment would not occur quickly even if the government moved immediately to balance the budget. It is possible that timing of a move toward a balanced federal budget will be all wrong, reinforcing an incipient recession. Farmers would probably be better off with lower real interest and exchange rates even if the nation were experiencing recession. Consumers would be much worse off, however. But continued large full-employment deficits are as unsustainable as the consumer prosperity they buy -- consumers must pay tomorrow for living beyond their means today.

#### Summary and Conclusions

Erratic and overly expansionary monetary policy caused cash-flow and instability problems for agriculture in the 1970s. More

enlightened money supply management in the 1980s has been attended by neo-Keynesian fiscal policy (featuring large structural deficits) which has taken a heavy toll of industries competing for exports or with cheap imports.<sup>1</sup> Agriculture is especially disadvantaged because it has twice as much capital per worker as other industries (and high interest rates are a cost of capital), is a major net debtor (creditors gain and debtors lose from high interest rates), and relies heavily on exports. High full-employment federal deficits have created high real interest and exchange rates which will not persist. Neither will the unprecedented current federal budget and international trade deficits persist. Consumers live well today, not just on domestically produced goods, but on large imports financed by borrowing from foreigners. Massive debts being incurred today will have to be paid off (highly unlikely) or interest serviced by higher U.S. exports in the future. Future interest payments to foreigners will exceed the value of additional consumption made possible by borrowing from abroad. Agriculture will be the cornerstone of industries providing exports to repay debts and interest. Thus the 1990s could see farmers prospering while consumers face austerity. Predicting when the inevitable turnaround will occur is not possible. But the longer the turnaround is delayed, the larger are likely to be the shocks and dislocations to our economy.

Some contend the answer to high real interest rates is more rapid growth in money supply. Such a policy would rekindle inflation so that

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<sup>1</sup>U.S. farm exports are down not only because of the high value of the dollar but because of debt crisis and recession abroad. The latter two problems also trace partly to U.S. macroeconomic policy.

both real and nominal interest rates would be high. Fear that the Federal Reserve might pursue such a policy probably contributes to investors' demands for high real interest rates.

Macroeconomic policy has placed agriculture on an economic roller coaster ride it could do without. In principle, the solution is straightforward. Based on what economists know about macroeconomics, the appropriate macroeconomic policy is to incur deficits during recession or depression and to have a balanced or surplus federal budget when unemployment is 7 percent or less. The rate of increase in money supply should be about 6 percent per year with a slightly faster rate during recessions.<sup>1</sup> The problem is not so much one of what is sound macroeconomic policy but how to muster discipline to follow it.

Agriculture and other sectors would like to know how to restore macroeconomic policy integrity to the system. The proximate cause of farmers' economic ills is high deficits which cause high real interest and exchange rates which in turn cause low farm commodity and land prices and/or high Treasury outlays. But the root cause of the problem is failure of the political system, specifically a failure of encompassing institutions which view the economy from the perspective of the national public interest rather than narrow self interest. The "democratization" of Congress has enhanced the power of congressional subcommittees, individual Congressmen and Senators, and of special interest groups. The same process has diminished the power of

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<sup>1</sup>A faster rate of increase in money supply may be tolerated if fiscal policy is less stimulative. Macroeconomic policies can do little to reduce unemployment below the "full" or natural level -- demographics and structural policies such as minimum wage adjustments and training programs are required to reduce the natural unemployment rate.

encompassing institutions such as Congressional leadership and political parties. If the Presidency, the most powerful of all encompassing institutions, fails to provide leadership for responsible fiscal policy, the balance of power shifts to special interests at the expense of the public interest. Restoring integrity to macroeconomic policy will require Presidential leadership and Congressional reform to shift the balance of power towards encompassing institutions.

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