December 1985

Views on Agricultural Economics' Role in Economic Thought

James P. Houck

Prepared for AAEA/AEA Winter Meetings,
December 1985

Department of Agricultural and Applied Economics
University of Minnesota

December 1985

Views on Agricultural Economics' Role in Economic Thought

James P. Houck*

Like other social scientists, agricultural economists are powerfully drawn toward professional introspection and collective self-evaluation. In fact, we revel in it. This assertion, like most of the others in this paper, is entirely subjective. I have performed no original research in the preparation of this paper. What is here is mainly a matter of opinion--mine. However, it is certainly true that these opinions have been augmented by conversations with and suggestions by a handful of colleagues.

This paper represents my first foray into public professional introspection. That the occasion for it is part of the 75th anniversary observance by the American Agricultural Economics Association (AAEA) is both daunting and exhilarating. Even so, the message and the tone of this piece remain subjective to the core. Furthermore, the modest length of this contribution prevents it from being exhaustive or even detailed. My goal is to be indicative and perhaps a bit provocative.

The first thing I must do is stake out my ground sufficiently so that others can grasp how I intend to approach this topic. First, who are agricultural economists and what is agricultural economics? Many others have tried to wrestle this matter to the ground. In my view, they have achieved uncertain success. Perhaps the most recent encounter is Glenn L. Johnson's presidential address to the 1985 meeting of the International Association of Agricultural Economics. His paper, "The Scope of Agricultural Economics," is a helpful effort, buttressed by

long experience and careful thought. That it surely will not be the last word to be written on the topic indicates the inherent complexity of the matter.

For the limited purpose here, I consider agricultural economics to encompass the professional work and historical tradition of agricultural economists. To elude complete circularity in this matter, I obviously must define who agricultural economists are. Though this may seem like sophistry to some, I regard agricultural economists as individuals who, if they were either constrained or forced to attend only one professional meeting a year, would, at least three years out of five, attend the AAEA summer meetings as constituted since about 1950 (or a non-U.S. equivalent). My intent is to suggest evolution and self-selection as guiding principles in the delineation of our profession. In addition, this curious definition allows me to speak about agricultural economics and agricultural economists virtually interchangeably.

For the most part, I will not attempt to discuss individual contributions of particular agricultural economists to economic thought, substantial though they may be. Rather, I will view agricultural economics as a collective intellectual force stretching over subjects and time. Additionally, my view of agricultural economics as a professional discipline does not extend back beyond the formation of organizations immediately antecedent to the American Farm Economic Association, which itself was founded in 1919. Finally, my own particular frame of reference, myopic though it may be, is largely North American and post-World War II.

What about the term "economic thought"? Although one might construe this term in diverse ways, I will use it in two. In both cases, it will refer to organized thought by professional economists. In the first

and more narrow instance, economic thought will consist of the rigorous body of theory that forms the disciplinary core of economics--the organized, intellectual framework and system of reasoning that distinguishes economists from non-economists.

In the second, broader instance, economic thought will encommpass the ways that professional economists have come to think about, in an orderly way, real world economic issues and problems--how they assemble and use the basic theoretical constructs to explain, illuminate, and predict. This view of economic thought also might be characterized as the analytical structure on which empirical, quantitative inquiries are based.

It is surely possible that some people might find the distinction between these two views of the term "economic thought" somewhat artificial. Frankly, I do not intend to suggest a compelling dichotomy. The two may be viewed as separated points on a continuum. For instance, as one earns a degree in some branch of economics, one masters and possibly contributes to a part of the more narrow package of economic thought. Then as one follows a professional career, especially in an applied field, one uses and possibly advances economic thought in the broader context.

The Narrow View

Let us consider first, agricultural economics' contribution to economic thought in the first, more narrow sense. In particular, we may ask, "What is, or has been, the traditional role of agricultural economics in advancing and refining the rigorous, abstract core of economic theory?" My answer is, "Not much." Agricultural economics, as most of us understand it, is a highly applied field of study. With a few notable exceptions, agricultural economists take some of what is available from the theoretical

warehouse, use it for problems at hand, and return it to inventory mostly unimproved. This is surely an overstatement, but it illustrates my central point.

Agricultural economists whose interests and talents lie solidly in theoretical aspects soon drift away from our profession's mainstream. I believe this is true even though the general level of theoretical sophistication in all phases of agricultural economics is rising apace. The leading figures in agricultural economics, at least the publicly outspoken ones, take substantial pride in agricultural economics' long tradition of empiricism and applied analysis. They eye suspiciously the inexorable encroachment of abstraction and elaborate theorizing in the profession. That a certain hubris surfaces in all of this reflects the conventional wisdom of most agricultural economists and reinforces the self-selection process.

Agricultural economists, as applied social scientists, emphasize research and teaching that directly enhance the understanding of actual economic activity or improve public and private decision-making. It has not been customary for agricultural economists to undertake analysis simply to test or extend received or newly deduced theory. This assertion is, I believe, less true today than previously but agricultural economists still may be said to be consumers but not producers of economic theory. The large and active extension component in the agricultural economics profession clearly reinforces this tendency.

Speaking about early leaders in agricultural economics, Glenn Johnson writes:

> They were also concerned about the quality of agricultural economics work. Their implied definition of quality was one of excellence in

> addressing practical problems. Research to improve economics and its ancillary disciplines was not a primary concern--the tendency was to leave that to the general economists, statisticians, mathematicians, and philosophers (p. 1).

This observation is still largely true.

Consider the matter from another viewpoint. If agricultural economics work is important to the development of economic thought, in the narrow disciplinary sense, then agricultural economists should be frequently cited by writers in the major professional economics journals. A recent edition of the book, Who's Who in Economics, provides some evidence in this vein. The authors, Mark Blaug and Paul Sturges, compiled a biographical list of 1071 economists (674 living and 397 deceased) who they judge to be most outstanding. Their fundamental, but not exclusive, criterion is frequency of citation by others in the major 138 economics journals over the 1970-80 period. Of the 674 living economists, 21 people (3%) either listed themselves as agricultural and/or resource economists or were so classified by the authors. This is the smallest category, by far, of the 10 groups into which the entrants were divided.

This list of 21 individuals contains only nine current members of AAEA. Approximately 10 persons in this list are resource economists, 6 are development economists, 3 are trade and policy economists, and 3 are misclassified, in my opinion. There are 3 or 4 other persons in the alphabetical list for whom no information is provided but who are clearly agricultural economists. Hence, it seems clear that the economic thought of major journal authors is not fundamentally affected by the collective published work of "mainstream" agricultural economists. Naturally, there are a few exceptions, which interested readers may wish to ascertain for themselves (Blaug and Sturges, p. 420).

The Blaug and Sturges compilation suggests an additional observation. Those who classify themselves as resource economists seem more likely than others in the wider agricultural economics profession to be on the forefront of theoretical and disciplinary advances. Their relatively abundant representation in Blaug and Sturges indicates this, and my own experience is in agreement. Still, many theoretically minded resource economists do not appear to regard themselves as part of the agricultural economics profession, even provisionally. So, do we classify their work as contributions by agricultural economics to economic thought? It is an open question in my judgment.

In general, agricultural economists simply do not seem be to intellectual role models for the theoretical wing of the general economics profession. This is true despite the praise of respected economists like Leontief, who continually urge a more applied emphasis across the whole spectrum of economic science. Our overall impact on the narrow aspects of economic thought has been limited, notwithstanding some outstanding individual contributions.

These special contributions to general economics have come, in my opinion, as individual flashes of insight followed by their subsequent elaboration by the individual working alone or with relatively few major collaborators. They have not represented the accretion of knowledge formed by many people working on facets of a theoretical problem area and constituting a "school." Here, I am thinking about the theoretical contributions of people like T. W. Schultz, V. W. Ruttan, and F. V. Waugh, to mention only three agricultural economists whose names are in the Blaug and Sturges compilation and whose work is well known to me.[1]

The Broader View

If I am at all correct in what has gone before, then the main contributions of agricultural economics to economic thought must be sought in

a broader context. The primary intellectual avenue by which agricultural economists individually and collectively contribute to economic thought is by arranging and adapting received theory, applying it to real world facts perhaps in the presence of sophisticated statistical (or computation) techniques, and then using the results not to confront the predictive aspects of a theory but to solve or illuminate an important policy question. This may be an overdrawn and artificial distinction, but it serves to illustrate the point that, traditionally and currently, agricultural economists are driven to their researches more by problems faced by real people and institutions and less by controversial or intriguing points of abstract reasoning. Another indirect pathway by which agricultural economists have influenced economic thought is by the repeated nudging of theorists into new or neglected areas that have important implications for applied work.

In his 1961 presidential address to the American Economic Association, Paul Samuelson wrote this fascinating line: "In the long run, the economic scholar works for the only coin worth having--our own applause" (p. 18). This is surely hyperbole, but not outlandish, even for problem-oriented, applied economists. Yet, may we not agree that this observation is less true for applied economists in general and for agricultural economists in particular than it is for economic theorists? Indeed, the main audience for sustained work in any applied field of study must be sought outside the circle of professionals in that area. Otherwise, the field would dwindle and become obscure as the wider public loses interest in its activities. This is surely true in agricultural economics. Consequently, this generally pervasive attention to a wider audience causes our profession's stream of contributions to economic thought to be rather subtle and indirect. In my view, these contributions tend to seep into the collective consciousness of economists generally by repetition

and in small stages rather than through bold, pathbreaking advances.

It would be impossible for me to attempt to list or even categorize all the specific ways in which agricultural economics has influenced wider economic thought. But here are a few historical illustrations drawn from my own range of experience and competence. Consider the basic cobweb theorem of production and price behavior over time. It is clearly a creature of agricultural economics. Although it is now a venerable and dated part of general economics lore, it is the foundation for sensible explanations of how lags in production, between decision and output, can create and sustain price and output cycles.

A related stream of work in agricultural economics that found its way into broader economic thought involves the dynamic concepts of (a) adaptive price expectations, and (b) partial output or inventory adjustments. The agricultural problem of decision making over time in an uncertain environment characterized by substantial asset fixity provided a natural, real context for the development of these now-familiar distributed lag concepts.

Fluctuation and uncertainty in prices, production, and markets has always been an important and fertile topic in agricultural economics. Much of both the seminal and the recent work on overall welfare gains and losses associated with price and output fluctuations is attributable to agricultural economists. This line of inquiry has recently been carried to a highly sophisticated and elegant plane of reasoning by theorists of a more general stripe but the core is clearly in agricultural economics.

A final, more elaborate illustration is the basic conceptual model of aggregate price, output, and income determination for the U.S. agricultural sector, considered as a whole. This framework combines price and income inelasticities, technological progress and adoption, asset fixity, input

markets, and inherent instability to describe and illuminate the behavior of the U.S. farm sector under various actual and potential policy regimes. This basic model reached its clearest presentation in the various publications of T. W. Schultz, W. W. Cochrane, G. E. Brandow, D. G. Johnson, L. G. Tweeten, and others (Brandow, pp. 213-229). The various economic and political shocks of the 1970s and 1980s plus the burgeoning role of exports has rubbed some of the luster from this widely accepted framework. But, with adjustments, its basic logic and explanatory capacity are largely intact. It surely represents the standard mechanism used by professional economists to think about agriculture in developed societies.

No doubt, other observers would select other examples to illustrate how agricultural economics work has penetrated the wider body of economic thought. Production economics, consumption economics, agricultural development economics, resource economics, and the economics of human capital all have contributed generously to general economic thought when viewed in this broader context.

Ties to General Economics

As a professional discipline, agricultural economics reflects the independent, free-standing character of its major professional association, the AAEA. As organized and practiced in most institutions, agricultural economics is not a distinct sub-branch or offshoot of any other discipline. This has been true since the earliest days of farm management and agricultural economics work. The history of the formation and development of AAEA's predecessor organizations illustrates this characteristic.

In 1919, the American Farm Management Association, with strong ties to agronomy and other agricultural sciences, merged with the younger, smaller National Association of Farm Economists, a more industry-oriented

offshoot of the American Economic Association (Taylor, 1922). The new organization, the American Farm Economic Association, provided a solid, largely autonomous foundation upon which the current profession is based (Taylor and Taylor, 1952). In 1968, the Association's name was changed to its present one, but no major reorganization occurred. I believe it is also fair to argue that professional organizations of agricultural economists in other nations and regions are heavily influenced by the U.S. model in structure, philosophy, and operation.

Over the years, this free-standing character of agricultural economics has fostered a self-contained system of recognition and reward among practitioners that has been relatively distinct from that in general economics. This, in my judgment, has resulted in a continuous and strong tradition of pragmatic and applied inquiry and publication. This tradition was laid down and promoted by people whose fundamental human interests and concerns were based in agriculture and rural society. They came to economics and economic theory with a strong prior philosophic or intellectual commitment to solving the large and small problems in agriculture (McDean). Hence, it is no surprise that leading agricultural economists traditionally have not built their reputations in spheres of abstract reasoning and theoretical elegance.

While this independent, distinct tradition of agricultural economics remains quite strong and lively, there are reasons to think that it is weakening and will continue to weaken as the years go by. If 30 to 40 years of active service is the length of an average professional career, then U.S. agricultural economics is in the midst of its third generation of leadership. More and more, today's middle-aged agricultural economists were not raised on the farm or in rural families. Their concerns about

their subject matter tend to be more clinical and less personalized than previously. Younger professionals think of themselves as economists first and foremost and agriculturalists second. This is a clear reversal of the situation not too many years ago.

Furthermore, the increasing mathematization and quantification of all economic inquiry helps to blur the intellectual distinctions between various branches of applied and theoretical economics. Moreover, as Emery Castle points out in unpublished remarks at the 75th Anniversary Meetings of the AAEA, it is no longer sensible to suppose that students can master the main findings of economic theory as well as the full range of approaches and analytical techniques. He argues, cogently, that this is especially troublesome for agricultural economists, who also need to be generally familiar with the agricultural sector. He goes on to speculate that unless major developments occur:

> agricultural economics and the graduate teaching of agricultural economics may divide into two main subgroups:
>
> a. Those who remain in the mainstream of economics and who will become indistinguishable from those in economics proper. They may work on the economics of agriculture but on many other subjects as well.
>
> b. Those who follow a more pragmatic course. This group will continue to utilize economics as a framework for particular investigations and as a synthesizing tool even though the current literature in economics does not place much emphasis on this kind of effort. But increasingly they will turn to other disciplines and utilize economics, <u>as it is currently practiced</u>, less and less. . . . (Castle, p. 4)

This trend, if it materializes, will have significant implications for the form and content of agricultural economics' linkage with the scope and content of economics. It will surely have an impact on the future vitality of the AAEA. It is beyond the scope of this paper to speculate very much about the future, but I do sense a potentially important schism in the agricultural economics profession, generally along the lines Castle indicates. It has been and probably will continue to be papered over in AAEA activities and publications until that ffort becomes simply unmanageable. Then a fundamental reorganization of the Association could well occur -- perhaps into two or more largely independent subgroups, one aligned more closely with general economics and econometrics organizations and the other either free-standing or professionally linked to agricultural and rural interest groups.

Concluding Remarks

Agricultural economics' contributions to and relations with economics proper have been shaped over the years by the applied, pragmatic, problem-solving tradition of leading figures in the profession. This tradition is reflected in the free-standing, independent character of the AAEA, clearly the major professional organization of agricultural economists on this planet. Thus, agricultural economics has not been the wellspring of many novel and pathbreaking advances in economic theory. General economists do not expend much ink referencing and citing the published work of agricultural economists.

Yet, agricultural economists do contribute importantly to the existing body of economic thought by rearranging and applying received theory and measurement techniques to solve or illuminate important public and private decision-making problems. That they have done so in a genuinely useful way for something like 75 years in both good times and bad times is the major reason for the vigorous health the profession enjoys today. And it is reason enough.

Footnotes

*The author is a professor, Department of Agricultural and Applied Economics, University of Minnesota. Scientific Journal Series Paper No._____, Minnesota Agricultural Experiment Station.

[1]Frederick V. Waugh, who died in 1974, is listed by name only in Blaug and Sturges (p. 393). No biographical or professional data were available to the authors. He was surely an agricultural economist.

References

Blaug, Mark and Paul Sturges. Who's Who in Economics. Cambridge, Mass.: MIT Press, 1982.

Brandow, G. E. "Policy for Commercial Agriculture." A Survey of Agricultural Economics Literature. Vol. 1. Edited by Lee R. Martin. Minneapolis: University of Minnesota Press, 1977.

Castle, Emery N. "Remarks on the Occasion of the 75th Anniversary of the American Agricultural Economics Association." Mimeographed. Ames, Iowa: Iowa State University, August 1985.

Johnson, Glenn L. "Scope of Agricultural Economics." Mimeographed. Presidential Address, International Association of Agricultural Economists, Malaga, Spain, August 1985.

Leontief, Wassily. "Theoretical Assumptions and Non-observed Facts." American Economic Review 61(1971):1-7.

McDean, Harry C. "Professionalism in the Rural Social Sciences." Agricultural History 58(1984):373-92.

Samuelson, Paul A. "Economists and the History of Ideas." American Economic Review 52(1962):1-18.

Taylor, Henry C. "The Development of the American Farm Economic Association." Journal of Farm Economics 4(1922):92-99.

Taylor, Henry C. and A. D. Taylor. The Story of Agricultural Economics in the United States, 1840-1932. Ames, Iowa: Iowa State University Press, 1952.