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Government and Agriculture Revisited:

A Review of Two Decades of Change

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It has now been exactly two decades since I last attempted a comprehensive overview of U.S. food and fiber policy; that review was published as Government and Agriculture, Economic Policy in a Democratic Society. Thus, it seems appropriate, as one whose professional life has been spent studying and participating in the policy process, to use this opportunity to examine what has happened in the past two decades and look at where we are headed.

I will focus my review on price and income policy, which I believe is more correctly called commodity policy. I will ignore such important areas as resources use, environment and rural development for two reasons. One is the obvious lack of space. The other is simply that commodity policy has been and continues to be the core of farm politics, despite the attempts of several secretaries of agriculture to make it otherwise. It is still the basis of the U.S. Department of Agriculture's relationships with the agricultural and agribusiness community.

I will limit my comments to three related issues that have brought great changes to commodity policy; they are (1) the restructuring of American agriculture, (2) the move to international markets, and (3) the changing politics and players in commodity programs.

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Policies and programs

The period 1961-1981 has been one of the most tumultuous in U.S. peacetime history. It opened with the inauguration of the nation's youngest president who promised to lead the nation toward new frontiers; it closed with the inauguration of the nation's oldest president who has vowed to return the nation to values and glories of a previous, less complex period. In the area of economic policy, the past two decades saw many of the economic institutions developed in the thirties and forties become inadequate to deal with the tasks for which they were designed, as did many of the economic theories and the policies associated with them. As a result, the nation experienced post-war highs in unemployment and inflation, sometimes simultaneously. The dominance of U.S. economic and political power around the world receded as the "miracles" of growth in Western Europe, Japan, and numerous developing countries occurred throughout the 1960s and 1970s. Although it was not immediately obvious at the time, many of these changes were to have a profound effect on the U.S. food and fiber economy and the related policies that influence it.

Closing the Economic Gap in Agriculture

One of the most important changes to occur in the past two decades has been the economic changes which restructured U.S. agricultural production. Two decades ago substantially more resources were committed to producing food and fiber in the U.S. than could be justified by the return on investment. On the average the return on these resources in farming was

lower than a return to a similar resource investment would have been off the farm; by 1980 this was no longer true. Throughout the 1950s and 1960s per capita income of the farm population ranged from half to two-thirds that of non-farmers. In 1971 the per capita disposable income of the farm population exceeded 75 percent of the disposable income of the non-farm population for the first time in modern history. It has been more than 84 percent of the nonfarm average in every year except one since 1972, and over 100 percent in several years. However rough these figures, there can be little doubt that, on the average, the resources producing farm products in the United States have been earning returns comparable to those in nonfarm activities in most years of the last decade. Moreover, if one takes the inflation-induced capital gains into account, the farm production sector may have enjoyed the largest net gain in real wealth of any major sector in the economy over the past decade.

. This is not to suggest that this was true for every producer or for most producers every year. Indeed, quite the contrary was true. Periodically during the 1970s and even now, many producers of some commodities found that they were "trapped" in a position where their cash expenses exceeded their cash income and they were forced to resort to living on inflation-created capital gains or to liquidate their farm business. This sense of being economically "trapped" led to large and violent farmer protests in Washington in 1978 and 1979 and the

formation of a new agricultural organization, the American Agricultural Movement.

In the 1960s there was widespread belief that the return to resource investment and farm incomes would be intolerably low in the absence of government programs like acreage allotments, marketing quotas, and land retirement programs. The 1970s convinced most producers that these programs could be dismantled and that market forces would produce adequate returns to resources in agriculture for most producers in most years. Thus, the 1970s saw the final dismantling of the network of ineffective production control programs that had been the hallmark of our basic commodity programs since the 1930s. Equally, if not more important, was a change in perception about government accumulation of commodity stocks. During the 1960s government stockpiling was expected to increase farm income; by the 1970s the farm community was convinced that government stocks depressed prices and income. This change in perception was to alter the policies of government intervention in agricultural commodity markets in a major and probably permanent fashion.

Some observers have suggested that the commodity policies of the 1970s were a continuation of a long trend toward supporting prices at world market levels. I believe that the evolution of policy can be read differently.

Restructuring American Agriculture

In my view, commodity price policy follows rather than leads events in our governmental system. Thus, the changes in policy that have occurred over the past two decades come as a result of changing conditions and not vice versa.

Part of the changes that were to lead to new policies were major changes in the agricultural producing sector. As a result of low returns in agriculture, new entrants in commercial agriculture declined. A decade of sustained growth in nonfarm jobs in the 1960s provided economic opportunities for those who might have otherwise become farmers. The number of workers, both family and hired, employed in agriculture continued to decline during the 1960s at about the same rate as it had in the 1950s.

Over time this process which involved off-farm migration, retirement, off-farm work for some family members, and consolidation and enlargement of farm operations via sales, rental, and new capital infusion produced a commercial agriculture which was far different than existed in 1960. Economies of scale were achieved or exceeded in almost every type of farm in the United States.

The extent of this restructuring is so major that it nearly defies comprehension. In 1960 there were just under 4.0 million farms, with an average net farm income of \$2,806. In 1979 there were 2.3 million farms with an average net farm income of \$11,526. In 1960, however, farms with an annual sales income of \$20,000 provided 48 percent of all farm

products. In 1979 those with sales over \$40,000 (a rough adjustment for inflation) provided 82 percent of all products. In 1960 there was a marked decline in family income from all sources as the volume of farm sales declined. In 1979 the family income is almost flat at \$20,000 regardless of sales volume of the farm until the volume of sales is over \$40,000 when more resources produce higher average incomes as volume rises.

The massive restructuring of commercial agriculture meant the agricultural labor market was fully integrated with the non-farm labor market, perhaps for the first time. Simultaneously, an integration of the capital and credit markets also occurred as the modern commercial farms came to depend more and more on outside capital and credit to finance farm enlargement, machinery purchases, and large cash expenditures for annual operation. By the late 1970s the net income from farming had declined to a fifth or less of gross, while in the 1950s it had constituted a third of gross income. At the same time, commercial farms became extremely sensitive to non-farm input cost and interest rates.

These changes in the allocation of resources and in the economic situation in commercial agriculture were two significant changes that heralded a shift in the basic U.S. commodity policy since the 1930s, apart from World War I. These basic changes in the agricultural economy led to a move away from price supports above market clearing levels and production

controls. In the Agricultural Act of 1973 the Republicans finally achieved the market oriented policies they had sought unsuccessfully throughout the 1950s. They prevailed, however, not because virtue finally triumphed, but because it finally became obvious to most of the farm commodity groups that the old programs had little relevance to their economic well-being.

The Evolution From National to International Markets

The market for farm products two decades ago was relatively slow-growing and stable. In the 1950s the major market for U.S. farm output was at home. By 1960 much of the instability of domestic demand had been removed from the market by income transfer programs that stabilized the demand for food regardless of the business cycle. The foreign markets for U.S. farm products were modest, and mostly the result of U.S. government programs--PL 480, export subsidies, and export credits. Year-to-year changes in export demand brought changes in government stocks, not in domestic farm prices and incomes.

However, during the last two decades the most significant change in demand has come from abroad. In 1960 U.S. agricultural exports totaled only \$4.8 billion with a \$1 billion surplus in the U.S. agricultural balance of payments, the first such surplus in decades, apart from wartime. By 1980 the level of agricultural exports was over \$40 billion with a \$20 billion surplus in balance of payments.

The Growth of International Markets

Looking back, it is possible to see the turning point in the U.S. agricultural export market occurred about two decades ago. It was not until 1957 that the constant dollar value of farm exports exceeded the 1929 level. Therefore, in 1960 there was no strong evidence to suggest that foreign markets would become an increasing factor in the demand for U.S. farm products. In 1950, farm exports produced 9 percent of cash marketing receipts, in 1970 only 14 percent, and by 1980 they constituted almost one-third.

The rising export demand that was to change U.S. commodity policy was primarily a result of three factors although it was influenced by several others. The first was the major growth in world economy outside the U.S., led by growth of the Japanese and European economies during the 1960s and early 1970s, followed by some of the high-growth developing countries such as Korea, Brazil, Taiwan, etc. A second was the population boom in the developing world as medical science lowered death rates more rapidly than birth rates. Concurrently, most developing countries followed policies that failed to adequately invest in agriculture or encourage the adoption of new agricultural technology. Thus, as a group, developing countries shifted from self-sufficiency in food grains to huge net importers of grain in the 1970s. The third factor was the failure of Communist centrally-planned agriculture to produce enough food to meet the rising demand for food, especially meats, in their own

countries. One by one, the centrally-planned economies entered world markets, starting in the mid-1960s and increasing throughout the 1970s. By 1980, these countries together were importing 80 million tons of grains and oilseeds annually, whereas ten years earlier they were not significant importers as a group.

In 1960 world wheat and coarse grain trade totaled 66 million metric tons and the U.S. provided 44 percent or 29 million tons. By 1970, world trade in those commodities was 101 million tons, with the U.S. share at 39 percent. The Russian grain sale of 1972-73 jumped world trade volume in wheat and coarse grains to about 130 million tons, putting the U.S. share at 55 percent. By 1980, however, the world trade was approaching 200 million tons and the U.S. share was up to 58 percent.

There also were several ancillary factors which contributed to our rapid export expansion. One was the maintenance of U.S. price supports for grains, oilseeds, and cotton at or below world market levels, a move that began in the mid-1960s and has continued regardless of the political party in power. A second was the devaluation of the dollar and the termination of the fixed exchange rates which had overvalued the dollar and overpriced our agricultural exports. A third was detente and the ensuing expansion of our trade relations with the Soviet Union and the East Bloc; and finally, the normalization of our diplomatic relations with China.

The confluence of two events, the restructuring of U.S. agriculture and the boom in export markets, was not the result of well calculated policy nor was it foreseen by most observers. As a result, the commodity policies of the past decade have been mostly ad hoc attempts to adjust to new economic realities. We are, at the beginning of the 1980s, a long way from achieving a policy which is consistent with the economic and political realities of the world in which we live.

Who Makes Policy: The Congress

While most people recognize that a major change has taken place in the structure of U.S. agriculture and its markets, there is less understanding of the changes this has brought to the politics of agriculture, and how the changing face of U.S. politics has in turn related to the substantially different agricultural sector of the 1970s. Indeed, the non-farm press often implies that little has changed from the days of the old farm bloc.

Washington policy makers in their annual appearance before the venerable Jamie Whitten, Chairman of the House Subcommittee on Agricultural Appropriations, tend to think "the more things change, the more they remain the same" as they listen to the Chairman tell them how he instructed Secretary Benson to sell farm products abroad at world prices in 1954. But in reality, there have been profound changes in Congress and the changes have affected the style and substance of farm policy.

First, the average tenure of members of both Houses has declined markedly since 1960. Less than one-third of the 47 members of the House Agricultural Committee that wrote the 1977 Farm Bill had ever written such a bill before, and the 1981 bill will be addressed by an equally new group. Part of the Congressional turnover is caused by the coattails of the lopsided presidential victories of 1964, 1972, and 1980. Part also is due to the rise of the two-party system in the South, the area that had traditionally dominated the Congressional agricultural committees.

Second, committee discipline has disappeared and, despite the current Republican steamroller, there has been no real party discipline in the Congress for a long time on commodity issues. Open government has led to open mark-up of legislation in committee and in conference, providing the single-issue lobbyist with a field day. The Congressional committee process, insofar as the substantive committees on agriculture are concerned, has been dominated by a collection of commodity group representatives primarily concerned with the single or few commodities predominant in their district. One feature that has changed little is the individual commodity focus of the agricultural committees. Observers used to decry the excessive influence of certain commodities in the old farm bloc, but now the focus is more than ever on single commodities. Most thoughtful members are conscious of the trend and privately lament it, but in their public action they have little

alternative but to follow the most exorbitant demands of their constituent group.

This could, and sometimes does, lead to blatant excesses and bad policy, dairy and peanut programs being a case in point. The more generous treatment of rice and wheat programs also result from this system.

But, there are two major controls which tend to offset the actions of the agricultural committees and further muddy the policy process. One is the necessity for floor action by the entire chamber. Gone is the day when a committee bill reported by a senior agricultural chairman of the House or Senate was immune from amendment on the floor. Sugar legislation pushed by the sugar and sweetener-producing lobbies met its demise on the House floor in 1974 and again in 1979, and it was the threat of a similar fate that caused the dairy lobby to compromise in 1981.

A second and more powerful check on the substantive committees are the budget committees which were created in the 1970s. These committees have immense power to limit funds that will be required to implement policy. It is in the budget committees that commodity program expenditures must be balanced against social programs, defense, and other national needs. More than any other influence, the Congressional budget committees shape national policy, overshadowing both the appropriations committees (which can allocate funds within a sector) and the substantive committees.

Another marked change in the past two decades concerns Congressional staff. The Congressional Budget Committee has a large professional staff; moreover, each of the substantive committees have sizeable professional staffs. In addition, many individual members now have highly trained professionals on their personal staffs. This explosion of professional Congressional staff is a mixed blessing. On one hand, it may reduce the dependence of an individual member on a lobbyist or on the executive branch for information and analysis. On the other hand, it is clear that the Congressional staff has all the elements of a bureaucracy including arrogance, lack of responsiveness, and in many cases, a tendency to act as if they were the individual who was elected to make the nation's laws.

However much one may have disliked the old Congressional seniority system that existed two decades ago, it is difficult to argue that the present open system which has evolved under the guise of democracy is an improvement. In fact, the new system is a hunting ground for well-financed single interest groups in all areas, commodity programs, gun control, or social programs, and probably result in less thoughtful and less responsible legislation than that produced by the closed seniority system.

The Executive Branch

Changes in U.S. agricultural markets, the U.S. economy, and the nature of commodity policy have slowly and steadily shifted the decisionmaking power concerning agriculture within

the executive branch. Part of the power shift has occurred within the Department of Agriculture and part between the USDA and other agencies in the executive.

From the 1930s through the 1960s the political power base of the USDA was anchored in the network of state and county committees created under the Agricultural Adjustment Act of 1933 to administer the price support, production adjustment, and agricultural conservation payment (ACP) programs. This organization, first called the Agricultural Adjustment Administration (AAA), then Production and Marketing Administration (PMA), and now Agricultural Stabilization and Conservation Service (ASCS), had its own ties to the commodity groups whose programs it administered and to the Congressional farm bloc. Much has been written about its power, its feuds with the farm organizations, and various attempts to bring it under policy control. Traditionally, its administrator answered directly to the secretary of agriculture and to the President.

As its domestic price support and control programs became less significant, the ASCS role in policy began to diminish. In 1969, the Republicans put ASCS under an assistant secretary for international affairs and commodity programs. This effectively moved the policy coordination between domestic and international commodity programs one step away from the Secretary.

More importantly, as international markets for U.S. commercial agriculture became more significant, a major new

set of actors outside the USDA entered the agricultural policy process. In the 1950s and 1960s, the USDA had to share policy decisions with the Council of Economic Advisors (CEA) and the Bureau of the Budget because of White House concerns with consumer prices and budget costs.

The expansion in world food trade which surged in the 1970s enlarged the policymaking circle. It rapidly grew to include the State Department, Treasury, the U.S. Trade Representative, and the National Security Council, in addition to the CEA and Office of Management and Budget (OMB). As more agencies, and indeed, cabinet officers became involved in commodity policy decisions the more these decisions were shifted from the secretary of agriculture to the White House. As some people so unkindly put it, "agricultural policy has become too important to be left to the secretary of agriculture."

This widened participation and shift in the decisionmaking process created several problems and frustrations, that are still unsolved. One is the belief increasingly held by farmers that crucial farm policy decisions are out of the hands of USDA and being made by persons who are unfamiliar with their problems and concerns. In many respects they are correct. Most of the knowledge and analytical capability of the U.S. government regarding world food and agriculture still is in the USDA, and the others involved in commodity policy are either dependent upon USDA analysis or sometimes have little basis for judgment.

It is a curious and somewhat unsettling fact that none of the past four Presidents, including the incumbent, have been able to evolve a stable and satisfactory policy process within the executive branch to deal with agricultural commodity policy. Open warfare between the secretary of agriculture and the secretary of state seems to be a hallmark of Republican administrations. It was no secret that the Democrats had similar, if not as vocally explicit, problems under President Carter. Over the past decades there have been councils, committees, special assistants and other White House attempts to coordinate agricultural commodity policy and make it more rational. None have worked and none probably will.

The inherent reason for the problem is that there is no other department with a major domestic constituency and domestic programs that is also deeply involved in international trade and international affairs. No other sector of the U.S. economy has the economic and political ties to a single department as farmers do to the USDA. No other sector simultaneously sees other departments with quite different interests and constituencies constantly and repeatedly intervening in matters they view as important to their economic well-being.

During the 1950s and 1960s, agricultural policy was made by a tightly knit group that evolved from within USDA. It agreed with and was highly susceptible to domestic commodity groups and like-minded Congressional committees. Now the participants in agricultural policy decisions appear to come from

a sprawling, ill-defined group that seems to be beyond the access of farmers and domestic commodity groups. Increasingly, the secretary of agriculture and his senior policy officials involved in commodity policy have become negotiators and intermediaries between the traditional political forces and the new policy participants. As is the case in all such situations, none of the parties completely trust the intermediaries and all parties blame them for whatever they do not like.

The Agricultural Groups

Two decades ago it was possible to sense that the changes in U.S. agriculture were creating great difficulties for the general farm organizations. As the family farm evolved into more specialized production units, the general farm organizations were not able to bridge the gaps between the specialized economic interests of these production units and provide comprehensive political and economic commodity policies. Nor were they able to offer the intensified, special attention and representation these specialized producers seemed to demand.

As a result, highly specialized groups of producer representatives which represent specific commodity producers (wheat, corn, soybeans, cotton, dairy) have developed. These organizations which nearly parallel the commodity blocs in Congress have well-paid Washington representatives who generally are more influential in their specific commodity areas than the general farm organizations are.

In addition to the overall farm organizations and the individual commodity organizations, there are two new groups that have increased in importance and influence on agricultural commodity policy. One is the agricultural cooperators group which was organized as the private sector representatives in the foreign market development activities of the USDA. These cooperator groups, operating with combined producers and USDA funds, have become a major force in international commodity policy on such diverse issues as trade and grain negotiations and export credit. In many ways they have developed the same interlocking political interests with the Foreign Agriculture Service (FAS) that the old commodity groups had with ASCS and its predecessors. And, not surprisingly, controlling FAS has become a problem for the secretary of agriculture, just as controlling the independent policy of ASCS was once a problem.

A second powerful force that has arisen during the past two decades is based in the agribusiness-exporter community. This group represents the interest of private firms and cooperatives whose economic well-being depends upon the rapidly growing agricultural export business. While the most publicity has been given the larger grain exporters, those familiar with the Washington scene know that the specialty-crop cooperatives, cotton exporters, and a handful of rice exporters have exercised immense power on issues of critical importance to their export business. Of course, since ample supplies and moderate prices are good for the export business, these agribusiness

groups have added their considerable support, in a quiet way, to policies that maintain moderate price supports, full production, and high export levels.

The rise of the single-interest commodity groups increases the historic problem of achieving coherent, consistent domestic and international commodity policies. Given the narrow focus of the single-issue commodity groups, there are only two participants in the decision making process that work toward a balanced commodity policy. They are the general farm organizations and the executive branch of government. Thus, in the 1970s the two traditional antagonists, regardless of administration, the secretary of agriculture and the American Farm Bureau Federation were more in agreement than in conflict--a marked departure from the general hostility and sometimes open warfare that marked much of the period from the 1930s through the 1960s.

Thus, in the 1970s, on policy matters involving general farm legislation, trade negotiations, and other international agricultural issues the old-line farm organizations acted as an important moderating and countervailing force to the individual commodity groups and narrower economic interests they represent.

Oddly enough what once was a weakness of the general farm organizations may become their strength in the new policy arena. Many have commented in the past that the general farm organizations' tendency to take positions on broad national and

international economic policy issues diluted their effectiveness on commodity policy. But, now inflation rates, interest rates, and general trade policy are the base upon which commodity policy rests. Thus, the ability to understand and take positions on all these issues is giving these general organizations a greater influence in commodity policy.

Where We Are Now

Despite some political-philosophical claims to the contrary, the evolution to an international market policy has not been without pain for many agricultural producers and associated industries. This pain has been reflected in their political reaction, and I predict that neither the economic problems nor the political reactions in the agricultural sector have run their course.

Until the 1970s, U.S. agricultural producers had relative price stability for both agricultural inputs and outputs while demand for U.S. agricultural commodities steadily rose. Now, and over a relatively brief time, all of these stable elements have become uncertain in an agricultural economy highly vulnerable to instability. As we face the decade of the eighties, this instability in demand and price, for agricultural inputs as well as commodity prices, would appear to be one of the policy issues that must be addressed.

It is useful to remember the sources of that increased instability. Export demand for U.S. commodities is in part a

function of world weather, especially in the USSR and a few other major importing countries, as well as in other major exporting countries such as Argentina, Australia and Canada. Thus, in addition to the instability generated by weather in the U.S., the instability of weather and crop yields around the world is also reflected in the demand for U.S. agricultural exports.

Second, the nature of the economies that are increasingly dominating world trade in grains, oilseeds, and cotton also adds to demand instability. The LDCs and the centrally-planned economies have accounted for most of the growth in U.S. agricultural exports. Most centrally-planned and LDC economies have state-controlled central buying units. In a traditional sense, our growing export markets are not markets at all. Lower or higher commodity prices are not translated into changes in consumer prices, within those importing countries. The decision to import and how much to import is based more on internal political circumstances than on economic market mechanisms. All of these factors add to the instability in the export market.

Finally, in that portion of the world where market mechanisms actually operate we find tariffs and variable levies applied to agricultural commodity imports to prevent world market prices from affecting internal markets. In the few really open markets that do operate, flexible exchange rates can and do affect import demand in ways and degrees that were not anticipated.

Demand instability is, of course, reflected in unstable commodity prices. Some idea of the impact of this instability can be seen by comparing the year-to-year variations in farm prices and incomes in different periods. The variation in crop prices from 1972-1978 was six times that of 1955-1963, and four and one-half times that of 1964-1971. For farm income, the variation in the 1972-1978 period was two and one-half times that in 1955-1963, and one and one-half times that of 1964-1971. The most stable element in the system has now become nonfarm income of farm people, hardly a consolation to fulltime commercial farmers. For crop producers, the use of target prices has been the first line of defense and protection against the instability of demand. This concept, adopted from a 1930s income payment program offers some protection against low prices, but is both expensive and highly asymmetrical in terms of economic costs and benefits.

Target prices for wheat and feed grains offers no protection to dairy, meat, or poultry producers, or ultimately, to consumers who are subject to sharp export-induced price increases. In order to better deal with the inherent instability facing U.S. agriculture in a world market, the administration implemented and the Congress approved in 1977 a farmer-owned reserve program for wheat and feed grains. Not surprisingly, the individual commodity groups have tried to use the reserve as a price support program rather than a supply-price stabilization program.

For 40 years, the U.S. government tried and learned, more or less, how to maintain the price of farm commodities during periods of excess capacity and surpluses. We have had little experience and have not learned how to maintain reasonable price stability that is required both by farm producers and consumers at home and abroad, even though efforts have been made.

When I was a graduate student, Agriculture in an Unstable Economy (Schultz, 1945) was an important work for both its theory and its policy applications. But for a long period, mostly because of federal commodity programs, instability was a relatively insignificant issue in farm policy.

Now once again instability will be a policy issue in the next decade. On the cost side, commercial agriculture finds itself at the mercy of OPEC, U.S. and world monetary policy, and worldwide industrial price policy for inputs such as steel, fertilizers and chemicals. On the market side, there is unstable demand, unstable exchange rates, unpredictable U.S. government trade policies and unpredictable foreign government policies regarding imports. In my view, the U.S. agricultural producers are only beginning to understand the nature and extent of this instability and the adverse consequences it can have upon their economic well-being.

Not surprisingly, the debate will focus on the proper role of the federal government in stabilizing commodity prices in

the new economic context. But, the debate and policy actions will bring conflicts that are new to commodity policy.

On one hand, the commodity producers who are now feeling the full brunt of the new instability will push for policies that expand demand and maintain high stable commodity prices. On the other side will be the broad array of consumer and domestic users whose economic interests are best served by controlling price increases. We have already seen three short-supply embargoes in the past few years, and for a variety of reasons, they have been the most disruptive policy actions taken by the federal government since the inauguration of commodity policies in the 1930s.

One tends to forget that the old domestic commodity programs evolved into a system whereby nobody was surprised--not farmers, marketers, speculators, or consumers. Moreover, most were involved in the development of the policies. But the new government interventions have surprised everyone, pleased few, and enraged the commodity producers more than any single issue in decades.

A related but somewhat different issue will revolve around the proper role of government in international commodity affairs. In a world where international commodity trade is heavily influenced, if not dominated, by governments, it is patently ridiculous to say that the U.S. government will play no role. The famous Carter grain embargo against Russia in 1980 proved government action in the name of foreign policy can

be as disruptive and politically unpalatable as short-supply grain embargoes.

The commodity groups, as expected, want the best of all worlds. On one hand, they want government export credit, government power to increase market access and government action to stop other countries from acting "unfairly" in international markets. At the same time, they lead the crusade to end government "interference" in international markets. Of course, one group's "interference" is another's preferred policy for a number of political and economic reasons.

Because of the new participants in the policy process and the economic and political complexity of the new international issues, I believe there will be more violent and prolonged political battles over the proper role of government in international commodity policy. When one considers the importance and interrelations of the two major issues, domestic price stability and the role of government in international markets, it is easy to predict that they will not be settled quickly or easily.

Agricultural Economists and Commodity Policy

The agricultural commodity policies of the 1930s were developed in large part by professional agricultural economists, many of whom have been rightfully honored by this association. In the post-World War II period, however, the majority of professional agricultural economists developed a singular disdain for commodity policy, abandoning it for resource policy

and development policy among others. Only a few members of our profession continued to pursue the problems of commodity policy.

As one who has been involved in the confusing and somewhat painful transition to the new international policy, I have been surprised and concerned at how little our profession has to contribute to discussions of the new issues and problems that face the U.S.

Ours is a discipline that has espoused the greater use of markets, but it turns out that professionally we appear to understand little about how either domestic or international commodity markets really work. The burgeoning field of international commodity trade is dominated by business school graduates rather than agricultural economists, and some have gone so far as to suggest that training in economics, and especially agricultural economics, is a handicap to understanding commodity markets.

We have spent millions, if not hundreds of millions, of public and private money to build computer models. Few, if any, of these models have a satisfactory international component.

Equally disconcerting is the fact that as a profession we have little access to and few working relationships with many of the new actors on the policy scene. The profession's longstanding ties with the USDA are appreciably weaker than in the 1960s, and how often does the State Department, Office

of the U.S. Trade Representative, Treasury, Commodity Futures Trading Commission, International Trade Commission, and other major agencies that influence commodity policy turn to the members of our profession for analysis and advice? In my recent experience, not often, and probably for good reason.

It is ironic that at a time when there is a need for a greater understanding of the broad relationships of macro-economics to agricultural commodity markets the group which should be well trained and prepared to deal with such issues is so little used and has little to offer. I would guess that there are more professionals engaged in buying and selling agricultural commodities on world markets than ever before in history and more professionals developing and analyzing government commodity policy around the world than ever before and that the proportion of them trained in ag economics is the lowest ever.

Again, I have no specific suggestions to reduce the widening gap between what I believe will be the major economic political problems in commodity policy and the professional focus of agricultural economists. I think this gap is not healthy for either good policy or a strong profession.

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