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AGRICULTURAL ECONOMISTS AND PUBLIC POLICY

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Policies and programs

In annual conclaves of scholarly associations, it is standing operating procedure for the members to ask themselves about their role in the workaday society. Being devoted to teaching the young and searching for new knowledge, living in semi-cloistered retreats, professors and researchers require mutual reassurance that they are doing things that are worthwhile in the real world.

Self examination is healthy. I feel that I am following an honored tradition in this association by undertaking a discussion of the topic. But at the outset I must say that agricultural economists have less trouble with the deprecating question, What good are we?, than most people in the academic disciplines. They have had another hangup, as I shall explain.

Agricultural economics in the United States has been almost wholly a pursuit of the Land Grant agricultural colleges and the U.S. Department of Agriculture. It grew naturally out of the soil and climate of this public educational federation, where practicality was the watchword. Ag economics came out of dirt farming, as they say on the political campaign circuit, crops and soils technology, animal husbandry, farm management and later marketing of farm products. I mean literally. Many of the early agricultural economists started their careers as teachers of animal husbandry or farm management. They did not first study economics and then turn to specialize in the economics of agriculture. By and large, it was the other way around.

The nature of the origins of the agricultural economics profession led to a feeling of inferiority among its early practitioners. I often sensed when I was taking graduate work in economics and doing extension jobs in farm outlook and public policy questions that ag economists at Iowa State and in USDA were touchy about their lack of grounding in formal economics studies. Some of them flaunted their practical knowledge of farming or of agricultural markets and made light of the theories in the textbooks. Others tried to prove themselves legitimate and worthy members of the profession of Adam Smith, David Ricardo and Alfred Marshall.

The circumstances under which agricultural economics began to develop as a separate field of study gave the profession an advantage in the practical world of politics and business. Unlike the workers in most social sciences, including general business economics, the agricultural economists really knew their industry. Moreover, their innocence of theoretical economics enabled them to appreciate the power relationships of the market and to see the wide gap between the textbook principles and the way the economy actually functioned.

II

Agricultural economists have had more influence on the formulation and the carrying out of public policies for their industry, I should venture, than the economists specializing in any other single industry.

In the 1920s, when agriculture was suffering from the plunge of prices after World War I, agricultural economists provided the intellectual leadership in designing plans for government action and for structural reforms of the marketing system. W. J. Spillman, Henry C. Taylor, M.L. Wilson, Henry A. Wallace, E.G. Nourse and John D. Black are names that spring quickly to mind. These were the idea men behind the export debenture plan, the domestic allotment plan, the McNary-Haugen bill, the farm cooperative movement and other proposals for helping farmers contend with over-production and low prices.

The prevailing diagnosis of the cause of the farm problem at this time was loss of the foreign market. Farmers had expanded production to sell abroad in the golden years of the early 1900s, so the reasoning went, and then increased output still more to meet the needs of wartime. The setbacks to foreign sales in the Twenties resulted in commodity surpluses. Farm relief plans generally focused on aspects of the foreign trade situation. Ag economists called for lower tariffs on manufactured goods to stimulate imports and furnish dollars to foreign customers of our farm products. They urged export subsidies for farm products; two-price plans such as the McNary Haugen bill and the export debenture scheme.

These early agricultural economists were unabashed <u>political</u> economists and partisans for farmers. They ~~were part of~~ pushed the American development theme as espoused by the Founding Fathers and reflected in the Morrill Act, the Homestead Act and throughout our public policy. In his "Agricultural Reform in the United States," published in 1929, John D. Black defined the objectives of national agricultural policy as:

> first, to hasten the improvement of the rural scale of living; second, to check the present rate of migration to the cities; and third, to maintain a somewhat larger population on the land than would otherwise be the case."

Black was the principal designer of what was then called the domestic allotment plan, a plan for retiring temporarily part of the land used for major crops. The aim was to reduce output and raise prices of farm products. When prices sagged drastically in 1930, '31 and '32, this plan became widely accepted among farm groups. In his one speech on agricultural policy in the 1932 presidential campaign, Franklin D. Roosevelt gave a fuzzy endorsement to the idea, and after the election the New Deal Congress approved the first Agricultural Adjustment Act. That has been the fundamental system of supply management ever since -- and, though it is in abeyance at the moment, and though the political language has evolved to "set aside" instead of annual allotments, the essentials of the system are the same as 43 years ago.

Note that John D. Black was advocating methods of supporting farm income which he thought would keep people on the farm, and which he considered a desirable national objective. Two of his three objectives for farm policy had to do with maintaining a larger farm population than would prevail without a federal action program.

As it turned out, the domestic allotment plan had the opposite effect. It helped farmers who were in a strong financial position to acquire more land; price supports enabled the big farmer to gain substantially in competition with the small operator. Ironically, the allotment and price programs were criticized at first, by many agricultural economists as well as conservative politicians and business men, for protecting the out-dated, inefficient, small farmer and blocking modernization of the industry. Some naive urban critics of "farm subsidies", such as the Wall Street Journal, have continued even in recent times to charge that the farm programs inhibit efficient, large-scale farming.

It is true that, on its face, the legislation promises certain advantages to small farms, and all farm laws religiously proclaim their purpose of upholding the family farm. But the real effects were quite different, as became obvious to those who looked at the facts after World War II instead of basing their opinions on legislative preambles and theory.

III

There then arose a heresy within among the professional agricultural fraternity of the Land Grant system, including some farm economists. The heretics repudiated the ancient Jeffersonian doctrine about the virtues of the family farm.

Even into the 1930s, as I have noted, farm policy reformers sought to preserve independent, small-scale farming and rural communities. They did not seek a change in structure of agriculture but mechanisms to improve its functioning. The philosophy of the Morrill Act, the Homestead Act and the Country Life Commission of Theodore Roosevelt dominated the Land Grant colleges. The purpose of research and education was to raise the farm family to an urban living standard -- not drive people off the farm but keep them there. Extolling the virtues of rural life was part of the ritual of Extension work.

But now the new technology was seen to be depopulating the farms as it reduced labor requirements. Making a virtue out of necessity, agriculturalists began to laud modernization and consolidation of farms and the "release" of farm workers for nonfarm work

The family farm ideologists came in for condescending smiles if not contempt. It was time to recognize farming as a business and not a way of life. Agricultural economists began to talk about farm population adjustment as a "final" solution of the farm surplus problem. It was not a problem of over-production but of too many people sharing the national farm income. Instead of trying to restrain farm output so as to increase farm income, what was needed was continued reduction of farm population to increase the individual shares.

At the same time, after World War II, as George Brandow has lucidly explained in his review of the literature on commercial agricultural policy soon to be published by this association, the ag economists turned to the demand side as an explanation of the farm problem. The lesson of World War II had been that when the economy was in boom, with full employment, prices of farm products were high, farmers were prosperous. Most importantly, young people leaving farming areas could get jobs in the cities. The farm problem was not really a farm problem but a problem of general economic stabilization on a rising trend of growth.

This analysis was happily ~~consistent~~ in harmony with the "permanent adjustment" theme. It also ~~was~~ furnished timely justification of the conventional Land Grant doctrine that full-speed-ahead infusion of new technology was all to the benefit of farmers and the rest of us. The same rationale was comforting to those who wanted to "get the government out of agriculture" and let free markets reign.

The technological faith had come into question by a few farm radicals and a few ~~heretic~~ dissident ag economists who made the logical connection between excess supply and new methods that increased production.

So it was nice for the true believers in Science to hear other respected economists ~~argue~~ rebut this by arguing that the farm problem was caused by weak demand for farm products. The free marketeers were not disturbed by government financing and investment in new farm technology as an intervention in private business -- only "artificial" meddling in what they regarded as "natural" markets.

Unfortunately for the "final solution" proponents, it soon became apparent that full employment and continued rapid reduction of the farm population were not enough to keep farm income high. The over-production tendency seemed not just a matter of weak foreign and domestic demand; it seemed to be chronic, if irregular. Even with high employment, prices of farm products and the net incomes of farmers often were below satisfactory levels.

IV

Agricultural economists attributed the farm problem first to loss of foreign markets, then to slack domestic demand. They were slow to appreciate the consequences of the technological revolution in farming. The application of science to agriculture was regarded as a "given" in the farm economics equation -- beyond economic study. The Land Grant College-USDA system, in all its parts and roles, was based on the idea that technological efficiency is an ultimate good: there could not be too much or too fast a drive for getting more output per man, per acre or per unit of capital. Alone among the agricultural establishment scholars, a few economists braved the theologians of technology to ask whether the push for technical advance might be too impetuous. They asked whether the over-capacity of agriculture could be the result of letting technology get ahead of social adjustment. They suggested that ~~the~~ priority in public expenditure for rural communities ~~might~~ ought itself be subjected to scientific analysis.

Considering that these questioners of the dogma were themselves employes of the Land Grant system, they deserve praise for courage. Nearly all criticism of the public agricultural research policies has come from within -- not from agricultural economists in private educational, research and business institutions, where you might expect it to originate. Instead, the outsiders mostly have beaten the drums for all-out production research, that is, the development and application of new technology for agriculture. That includes the major farm organizations.

Agricultural economists inside the system were first to point out that farmers taken as a group did not benefit from the introduction of new methods; only the first users did. They dared to challenge the time-honored ag experiment station sales argument to legislatures that an increase in corn yields increased farmers' aggregate income. Public spending for agricultural improvements benefited the American consumer and the foreign buyer, not the farmer. Ag economists showed that the bypassed farm operators, hired workers and small towns in rural areas benefited least of all or not at all from new farming technology.

The discernible effects of these studies on public policy are small so far but I am confident will ultimately be substantial.

Agricultural economists have brought to bear on the intellectual front the nonfarm or nonagrarian concerns which are becoming apparent on the political front. The farmer in all the last 200 years has felt that interests outside farming -- the middlemen, the bankers, the railroads, the manufacturers -- were making the main decisions about his business. He has had to take the other fellow's price, both as buyer and as seller.

Actually, in this century government farm policies have been largely left to the farmer and his organizations, including the Land Grant institutions; farm lobbyists have been able to get most of what they wanted. The decline of farmers in number and proportion of the voting population did not weaken their power in government, despite reapportionment. Yet the farmer's instinct about being at the mercy of outside interests is not far off the mark. Government policies have been beneficial to the elite of commercial agriculture and to the business interests selling to and buying from them -- but often not beneficial to the majority of people in farming.

The political atmosphere on food and agriculture has changed in the 1970s. The rise in food costs to consumers and the deterioration of in rural community structure -- the trend to industrial agriculture, the migration of displaced rural people to cities -- have attracted a wider constituency for farm policy.

V

Agricultural economists as partisans and political activists contributed heavily to the nation's farm policies of the first half of the Twentieth Century.[1] As "pure" economists, more segregated from the political scene today, their influence has diminished. Agricultural economics undoubtedly has become more scientific, more scholarly, more knowledgeable about the farming business. The more you know, the more detached from politics, the less likely you are to attract attention and stir opinion. The more specialized you become, the less effective you are in the political economy. It is inevitable that as our studies have become more intensive, more detailed, with greater use of mathematical techniques, they become narrower. The impact on public affairs is remote and long delayed and indirect.

I do not say this is a bad thing; I don't belittle the mathematical tools merely because I don't understand them. I must admit, however, that the remark of Joan Robinson, who refuses to use equations, gave me some satisfaction. She said, "I don't know math, so I am obliged to think."[2/] If I were to criticize the budget of research in agricultural economics, I should be more inclined to adopt another criticism of American economists made by Joan Robinson. She said they are floundering because they still have an ideological bias toward the free market, which she says is a theoretical concept that does not exist.

Scientific, mathematical studies about the economic details of agriculture no doubt help us understand the industry. But to the extent that they rest on assumptions about "pure" economic science, they are illusionary and not helpful in the formation of public policy. TP/ I read recently an interesting paper by Paul McCracken, now a professor at the University of Michigan and a longtime member of the President's Council of Economic Advisers, called "Reflections on Economic Advising."[3/] McCracken believes an economic adviser ought to try to keep his own values and political judgments separate from his advice on economics. I guess everyone would agree with that. But it implies that there is such a thing as economic science which can be divorced from politics. That I doubt.

McCracken tells about an incident when he and other advisers were asked to report in 1961 about the domestic economy and the balance of payments. One of their recommendations was that the gold reserve requirement be reduced or removed while the issue was quiescent, rather than waiting until the Federal Reserve's gold holdings were on the verge of becoming deficient.

Kennedy said he understood the economic logic and the economic cost of delaying a decision, but he would have to pass. He said such legislation would have to come before Senator Harry Byrd, and he did not want to start his administration by raising the gold issue with the senator.

McCracken said he and the other advisers performed correctly as advisers, but the President, looking at the larger domain for which he was responsible, chose not to take ~~it~~ their advice. McCracken said he understood that the "pure" economics had been adulterated in Kennedy's decision and he had no reason to think the President was wrong.

I agree on this kind of separation of economics and party politics. But in the larger meaning of political economy, McCracken and his associates took into account more than pure economics in their assessment of the gold reserve question. They had to consider the power factors in banking and government among others.

In dealing with agricultural policy, as with money or other economic policy, it is impossible to separate the economics as a pure science. Economics itself is more complicated than any physical science. It deals with pesky human behavior. It embraces power of large organizations more and more. We deceive ourselves and our clientele when we claim to be only "humble technicians" bringing to bear an antiseptic economic analysis on a public policy question.4/

On the whole, agricultural economists have been broad enough to see beyond economics in public policy and to see that economics is more than demand and supply curves.5/ I could read a long list of current members of this association who have made large contributions to the agricultural policies of this country.

But I'm a coward. I'm afraid I'd leave out a deserving stalwart or two and offend them, while offending others by including certain names. So I won't give you my list. Anyway, you all know the people who have served as economic policy advisers in the executive departments, directors of policy studies for Congress, members and directors of presidential commissions and the authors of influential books and articles. It should be easy, at least in this crowd, to support with documentation my claim that agricultural economists have been more influential in economic policies for their industry than other specialized economists have been for theirs.

V

In his 1967 presidential address to this association, ~~in December, 1967,~~ C.E. Bishop, who was then director of the National Advisory Commission on Rural Poverty, said, "Those of us who work in the rural social sciences have not perceived the significance of the growing urbanization of rural America."[6] He said farm economists had been preoccupied with the problems of the farm firm and had given little or no attention to economic problems much more important to the majority of the rural population.

Bishop asked that economists study the effects of farm programs on income distribution in agriculture and the effects of technology on the structure of rural communities. He said that "in order to increase our usefulness in coping with problems of economic structure and public policy, we must break the bonds of pure competition and extend our analysis to problems that transcend market phenomena."

Nine years later I think one can say that the agricultural economists have been shifting in the direction Bishop advised. With consumer organizations becoming more vocal, with environmental concerns becoming imperative and foreign policy once again rising to the forefront of agricultural policy, the trend toward a broader approach to public policy will continue. The public has awakened to the connections between farm policy and foreign policy, food prices, protecting the environment and the rural-urban structure of society. The public says, in effect, that farm policy is too important to be left to the farmers, since that means in practice the big farmers and agri-business.

The public is no longer willing to accept without question the assertions of the agricultural establishment that the U.S. has the purest and most nutritious food supply in the world. Nor is it ready to leave soil and water management to the establishment. Even the issues in rural areas of crime prevention, public welfare, education, the rights of minorities and collective bargaining of farm workers will not be left to rural areas. As Ed Bishop said, the rural society is becoming urbanized; its isolation is ending. The farmer and his community have been brought into the mainstream of the nation.

Don Paarlberg said last September,"The biggest issue of agricultural policy is ... who is going to control the agenda . ..
The old agenda is concerned primarily with commodities and specifically with influencing supplies and prices in the farmer's interest ... The new agenda differs radically . .. : Food prices and specifically how to hold them down ... ecological questions ...

rural development, primarily a program of the 80 per cent of the rural people who are nonfarmers ... civil rights ... collective bargaining." [7] Paarlberg said the agricultural establishment should not just "repeat the honored rhetoric" but should recognize that the new constituency would have to be served.

I agree with him. Moreover, I think the nonfarm pressures on agricultural policy will be beneficial to independent family farming and to a healthier rural society.

Agriculture's own institutions, developed for an earlier time and for a different farming structure, are incapable of meeting the requirements for public policy on rural affairs today. The very success of the scientific advances in farming tended to freeze the institutions in place. The fact that the benefits of scientific advance were not being shared equally within agriculture and between agriculture and the urban sector tended to be ignored by the Land Grant system, ~~the commercial farm organizations,~~ the commercial farm organizations and agri-business.

There seems to be a law of nature that successful human organizations resist change until they have lost effectiveness and are replaced. James Bonnen, our honored president, has frequently alerted us to what he has called "The Decline of the Agricultural Establishment." Ten years ago Bonnen said in a speech that "the commercial agricultural power structure has reached a state of extreme organizational fragmentation . . . and these fragmented elements are themselves contributing greatly to a general erosion of the political power which together they exert. [8]

The politics of farming in the '20s and '30s had to do with a fairly homogeneous farming community. That community has been splitting apart from the effect of the revolution in technology. The farmer's organizations have been splitting, too, into agri-business firms and into commodity groups. The ag colleges and the USDA have tended to become more associated with large farming interests and the suppliers of farm inputs and the buyers of farm products. The close association of USDA with the pesticide industry and the international grain companies has been notorious. Regulation of pesticides has been taken away from USDA, and the regulation of grain inspection is being reformed.

Agricultural economists have been the leaders in calling to public attention the neglect of low-income farm families and hired farm labor, the effects of government farm programs on the farming structure and the impact of technology on rural America. But the challenge laid down by Ed Bishop is still pertinent if one judges the profession by what appears in the Journal of Agricultural Economics. Public policy issues still receive secondary effort, especially those which affect the general public.

For half a century the principal public policy question concerning food and agriculture was how to deal with production over-capacity; in the next half century the central problem could well be scarcity. High food costs and instability of prices will be public policy targets. The ag economists will find themselves in a different position with respect to farm policy formation than in the past. We need more work on food and nutrition policies, foreign policy, national energy and environment policies and the structure of agriculture and rural communities.

Perhaps I could be accused of bias, but I am confident that the members of this association will rise to the needs of the occasion as they have in the past.

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1/ Among the many good books recounting the impact of farmers' political movements on government policy which tell of the contributions of early agricultural economists are: "Agricultural Discontent in the Middle West, 1900-1939," Theodore Salutos and John D. Hicks, University of Wisconsin Press; "Farm Policies of the United States, 1790-1950," Murray R. Benedict, Twentieth Century Fund; "The Age of Reform from Bryan to F.D.R.," Richard Hofstadter, Alfred A. Knopf.

2/ Interview by Soma Golden, New York Times, Mar. 23, 1976.

3/ Published by International Institute of Economic Research, Los Angeles, Ca. Distributed by Green Hill Publishers, Inc., Ottawa, Il. 61350

4/ Alan Randall, of the University of Kentucky, discussed "Information, Power and Academic Responsibility" perceptively in the May, 1974, Journal of Agricultural Economics. "Conceiving the economy as a system of mutual coercion," he wrote, "it becomes impossible to avoid the moral dilemmas which confront anybody involved in the public sector or in social decision making. If an action taken in any public agency tends to increase the power of some people while reducing the power of others (i.e., to make some people better off and others worse off), its distributional consequences cannot be attributed to some inevitable and inexorable economic law. Rather, these consdquences are the result of a decision of which that agency should be conscious and for which it must take responsibility."

5/ Randall (footnote 4) asked, "What, then, is the normative significance of a supply curve, a demand curve, a price? Very little, I suggest, since all of these things are very largely dependent on the structure of power within an economy, and the structure of power can be changed by political action as well as by what we have come to think of as economic changes. Economic data such as prices and supply and demand curves can be used in assumed optimal."

6/ Journal of Farm Economics, December, 1967.

7/ Speech at the National Public Policy Conference, Clymer, N.Y., Sept. 11, 1975.

8/ Speech at meeting of the Great Plains Agricultural Council, Bozeman, Mont., July 28, 2966.