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LESSONS FOR AGRICULTURAL ECONOMICS FROM U. S. A. EXPERIENCES

By

Theodore W. Schultz

As agricultural economists of India take the important forward step of establishing their Journal as a quarterly, it may be useful, in my response to the invitation, to call attention to some lessons that can be drawn from our experiences in the United States. Its history by now is fairly long. Dr. Henry C. Taylor, one of the pioneers, and Anne Dewees Taylor have served us well by carefully recording and accounting for the emergence and development of agricultural economics up to the early thirties.¹ What has happened since then is of course vivid but we are perhaps too close to the present to have as much perspective as one would like.

Lessons, however, always depend upon precepts. Let me concentrate on three such precepts, namely, *relevance* as economics, *importance* as problems confronting agriculture and the *institutionalization* of the work of agricultural economics.

INSTITUTIONALIZATION

For agricultural economists to function at all calls for funds to support them and their work and organization to relate them to students, policy makers, farmers and to other economists and technical workers serving agriculture. In the main, on this score, agricultural economics in the United States has been fortunate.

The Land Grant Colleges made room for agricultural economics at an early date. The federal government made a special niche for them in organizing the Bureau of Agricultural Economics in 1922. A few of the privately endowed universities have also sponsored agricultural economics in their faculties and research, notably, Universities of Chicago, Harvard, Stanford, and Vanderbilt. The Social Science Research Council has lent a useful hand time and again and so have the major Foundations. On their own agricultural economists organized for themselves a professional association (Society) and established as India now has, a major quarterly journal.

There have been ample financial resources, and understandably so, in view of the wealth of the country, the persistence of the farm problem, the vitality and growing strength of the Land Grant Colleges, the fortunate innovation at decentralization in setting up the agricultural colleges, agricultural experiment stations and extension services in each of the several states along with a strong center in the U. S. Department of Agriculture, and the several outstanding agricultural economists along the way who gave leadership to the development of this field.

¹ *The Story of Agricultural Economics in the United States, 1840-1932.* Ames, Iowa: The Iowa State College Press, 1952. Pp. xv, 1121.

Agricultural economics is so organized that those who enter this field find themselves close to agriculture and its economic problems. All too close at times as I shall point out later. As members of a faculty of Land Grant Colleges, they have students to teach—the many undergraduates in the colleges of agriculture, some undergraduates who (over) specialize in agricultural economics and, then, all manner of so-called graduate work ; they are part of the organized research programme of the Agricultural Experiment Stations, with resources for calculating equipment, field surveys, publishing and with salary arrangements which protect, not uncommonly, one-third, one-half or more of the time of the agricultural economists for research ; and, they are drawn upon in making agricultural extension programs prepare the "Outlook" materials and, also, have access to county agents and farmers and others in the particular State.

Some weaknesses are visible and one mistake has been made in the relevant organizational structure.

1. It was a serious mistake to have fragmented the Bureau of Agricultural Economics in 1953.² This blow will set agricultural economics back a long way. It must, however, be acknowledged that agricultural economics research in the U. S. D. A. had been suffering from attrition for over a decade. Then came the political decision to split it down the middle, farm management and production economics forced to go one way and price and income research another.

2. Agricultural economics has much to contribute to economic policy. As a field, it is so institutionalized that it is close, and at times all too subservient to policy makers. The political instability of the U. S. D. A. has made it difficult at times for agricultural economists to do good work.³ At the center the BAE was put under fire (by Congress, farm organization leaders and others.) At the colleges,⁴ also, some agricultural economists have been inhibited, some have been hurt, and many have found shelter working on "safe" problems which turn out, all too often, to be trivial.

3. Most Departments of Agricultural Economics in the Colleges are not sufficiently close to the economists in other faculties. The way the faculties are organized separates them.

4. Within Departments of Agricultural Economics there is serious organizational fragmentation with its sections and subsections in farm management, marketing, farm credit, land economics and others. A particular economic problem confronting agriculture always requires concentrated analytical effort, but not the type of intradepartmental inflexibilities that have emerged.

There are some other weaknesses in the way agricultural economics is organized which are, however, less important than those which we have touched upon.

2 For a full discussion of this issue, see "Fragmentation of the BAE", *Journal of Farm Economics*. Vol. 36. Feb. 1954.

3 *Ibid.* See my piece in the above JFE discussing the BAE.

4 My colleague, Charles M. Hardin, in a documented study of educational freedom in tax-supported colleges of agriculture, *Freedom in Agricultural Education*, University of Chicago Press, Chicago 1955, throws much needed light on this problem.

RELEVANCE AS ECONOMICS

One could take the position that agricultural economics is what agricultural economists do. Then it would not matter whether they did all manner of things remote or in no way dependent upon economics (upon theory and substantive knowledge about economic variables and relations). The precept against which I shall judge this aspect of the work of agricultural economics, however, is whether or not it reveals relevance as economics.

On this score there has been much work by agricultural economists that would rank high indeed. The many contributions from outstanding members of the staff of the old BAE are of this kind. The early and also more recent demand studies; the many useful economic indicators and indexes that have been developed—food consumption, farm output, farm production, farm prices received, and paid, farm employment, migrations from farms, financial balance sheets and many others; the earlier price response work—notably the corn-hog ratio, and other feed-product price ratios. More recently, there have been the aggregate input and output data of U. S. agriculture and studies of changes in production efficiency and capacity.

The colleges would appear not to have come off quite as well, considering the size of their research effort. Partly this arises from their local orientation and the highly particular problems on which their work usually has been concentrated.

Agricultural economists have been strong in an area where general economists at least until quite recently have been all too weak and that is in having time and resources to undertake time consuming and painstaking research. They have had an opportunity to go after data, undertake elaborate surveys, apply sampling procedures and make estimates and come up with numbers for particular economic variables.

The more important weaknesses in this area as one examines U. S. experiences are several.

1. Too often the collection of data has become virtually an end in itself. U. S. D. A. staff members acquire a kind of vested interest, each in his particular index. The college agricultural economist amasses no end of farm management, marketing, land use and other agricultural data, only a very small fraction of which is ever put to any analytical use.

2. There has been a strong tendency for each new type of study to be worked to death by doing it over and over again and adding little or nothing to knowledge after the first few runs—e.g. farm costs, type-of-farming, land use, farm budget studies, father-son farm leases, other tenure arrangements, marketing facilities, services and organization and now the fad is production functions.

3. Committee research has become a bane especially in the widespread effort to undertake research on regional problems. Each state in the particular region assigns an agricultural economist to the particular task and a member of

the U. S. D. A. staff also joins the enterprize. As a rule it settles down to the lowest common denominator and with much waste of research time.

IMPORTANCE

The precept of importance cannot be based on a single standard. A contribution is being made in the teaching of undergraduate students in the agricultural colleges. Some students are being recruited and prepared for advance instruction (all too narrowly, however, as a rule). General economics has also benefited in different ways : in some cases agricultural economists have demonstrated that not all theorizing is meaningful in generating hypotheses that can be put to test ; also, they have from time to time added substantive knowledge about some economic variables and how they are related one to another—the kind of knowledge that is still all too rare in economics.

Then, too, many individuals trained as agricultural economists have emerged as key administrators in public affairs during war and in times of peace as directors of major agricultural programmes.

What is important may also be gauged in terms of the economic problems that confront agriculture. It is this part of the precept that I shall draw upon in these closing observations.

Agricultural economists have undoubtedly made their full share of contributions in helping resolve the wide array of difficult economic problems that have beset agriculture so strikingly since World War I. There is no need to list them here.

Nevertheless, there have been a number of important economic problems confronting agriculture which have been neglected.

1. The low income problem in agriculture is one such. Over a million farms operated by farm families who give virtually all of their efforts to farming, most of them as owner operators, *produce* so little that they earn incomes far below the par characteristic of the United States.

The BAE was not permitted to enter upon this field. The Land Grant Colleges also avoided it.⁵ Several years ago, with the help of two grants from the Rockefeller Foundation our research group at the University of Chicago did undertake major research on this low income problem including an analysis of the upward of one-half million negro family farms. The ice is now broken, especially with the report and positive policy position taken about a year ago by the federal government.⁶

2. Despite all the research concentrating on farm management and production economics, very little is known about the growth of agricultural produc-

5 See my "Reflections on Poverty within Agriculture," *Journal of Political Economy*, Vol. 58, Feb. 1950. Also included in *Economic Organization of Agriculture*, McGraw-Hill, New York, 1953.

6 U. S. D. A. *Development of Agriculture's Human Resources*. A report on problems of low-income farmers. Washington, D. C. April, 1955.

tion in some meaningful supply context. The recent widespread efforts on determining the production functions of farms throw little or no light on this important variable. Clearly most of our difficult policy problems in agriculture, in the end, must be treated on the side of production. But we have all too little knowledge on which to proceed because agricultural economists have not made it their business to find out the factors that are shifting the supply schedule (short term) so persistently to the right.

The major lesson that emerges from this account is that agricultural economics in the United States is built on a firm foundation in the way it has been organized and supported and given an opportunity to serve within the agricultural college and in the U. S. D. A. and in its use of economics to help resolve some problems of importance. Some mistakes and weaknesses are, also, evident. The BAE was unfortunately fragmented. At times policy makers have been put too much on top to permit satisfactory research. In the Colleges, the structure of many of the Departments of Agricultural Economics is much too specialized. At times economic analysis has all but disappeared and the research effort has become one of simply amassing more and more data, particular types of studies have been repeated endlessly, and committee research has taken its toll. Two major problems have long been neglected, that of low farm incomes characteristic of large parts of U. S. agriculture and that of the growth of agricultural production.
