Meetings of agricultural economists perform a number of useful professional purposes. One of these is the opportunity to examine emerging problems that may need the attention of those of us who use principles, theories, and research techniques to solve the economic mysteries that may arise in the agricultural economy. Formal examinations of emerging purposes, problems, or issues often come in response to an identifiable, predictable, or significant event: the start of a new decade, the beginning or end of a general economic calamity, an important political change. Sometimes, however, an examination of issues is invited simply because "it is time," or because the examination may serve the salutary purpose of unifying work that, although adhering to a common goal, seems to have lost direction or impetus. This latter reason likely is what prompted the program planners to invite Del Gardner and Luther Tweeten to provide perspectives for agricultural economists on the implications of the 1980s. These authors were given very difficult tasks. Comments will come through expanding, agreeing, disagreeing, and rearranging what they have said.

Both authors are more than just capable and both followed their somewhat predictable styles in making their points. Gardner narrowed his topic (natural resource issues) until it became malleable. He then stripped it of life, smothered it in assumptions, and passed the nearly lifeless problem through the tight ring of logic that forms the neoclassical concept of allocative efficiency. Gardner then relaxed the assumptions, made the problem whole once more, and discussed some of the goods and bads that attend various configurations of public (political) allocations as opposed to private (market) allocations of a natural resource.

Tweeten followed his traditional style of explication by listing facts, research results, conditional truths, and assertions. The numbers and trends and the general relationships are there, but each begs for explanation. One searches for comments on directions of causation. One reads, re-reads, and reads one more time hoping to find broad canvases that are held together with strong threads. More often than not, neither the threads nor the answers are there. I liked Tweeten's facts and assertions. I wish he had done more with them.

This, however, gets ahead of the story. Some particulars that attend each paper must be mentioned first. Start with the Gardner paper. The task was to work with natural resource issues as they have been affected by and as they affect the 1980s. The task is clearly very broad. Land, water, energy, environmental concerns, acid rain, restrictive zoning, soil erosion, recreational resources, and a host of other...
problems face agriculture and are grist for the natural resource economist's mill. Gardner chose to narrow his topic to land then narrow even more so as to include only public land and the public control that various collective entities wish to exert on that land. Delimitation is, of course, needed; but to make an "issues" article this narrow is to deny the audience considerable perspective that the author is capable of bringing to a number of natural resource themes. The paper fits with the Sagebrush Rebellion articles and the privatization statements that were prevalent in 1981 and 1982, but have diminished in importance (or in newsworthiness) since that time. The problem is real, manageable, and narrow. It serves the author very well as he attempts to teach some differences between public economics and market economics.

The paper does not dawdle: Economic efficiency would be better served if the public lands were sold, or at least offered for long term leasing to private individuals or firms. In its haste the paper omits some important history. The federal government came to own most of the West by purchase from other nations, by conquest, and by cession. From the time of the Northwest Ordinance (1787), the federal government has tried to place as much land as possible in private hands. Comment on the legislation designed to make this transfer has filled several scholarly books. Clawson, Gates, Foss, and Hibbard are but four of the many prominent authors who have bent their attentions to this topic. The legislation and the commentaries on it always come back to the same theme: The land that had immediate value in production or potential value in exchange was "privatized" very quickly. The remainder was left for the public. The public probably did not want it this way. Who wants 742 million acres that at the time of settlement had an aggregate opportunity cost of zero? The major efforts to give away land or to sell it at token prices ended with the Carey Act in 1894. The Carey Act was an attempt to give land to the states so they could further distribute it among individuals. Even it failed.

At the turn of the 20th century, and after 100 years of trying to divest itself of the responsibility of managing land, the federal government found itself still holding much land that it did not want. It had to generate policies and practices to manage the land and accomplish at least two purposes. First, the policies had to keep the land in some minimal condition—implying management—and, second, rules had to be made to keep squatters and adverse users from killing each other while they attempted to appropriate the renewable and saleable resources from the stock of public land. In the early years—perhaps up to 1930—the government was the manager of last resort. The major exception occurred in those areas that had potential for irrigation. In these locales the government decided, rightly or wrongly, that even if the land had to be public, it at least ought to be developed. The past, present, and future problems of irrigation development, however, are not within the purview of the Gardner paper.

Gardner does us great service by describing how equity in the public land has been gained through political favor and bureaucratic maneuvering. The managers (the land agencies, bureaus, and offices) and the groups that use the land have developed a reciprocal dependence on present institutional arrangements, and they understandably want these arrangements perpetuated. However, the terms of trade among users may be changing as new and other user groups—recreationists, environmentalists, and energy developers, for example—vie for the opportunity to appropriate at least a part of the public domain for their own purposes. The conflict between actual users and potential users is the stuff of which scarcity is made, so a once cumbersome part of the nation's land
mass is acquiring value and a market for it may develop.

This all leaves the government and its land-managing agencies in a rather difficult spot. There is in place a well-functioning "market" for influence in which cattlemen implore bureaucrats and elected officials to increase the number of grazing permits. Timber companies beg for increases in the allowable cut in a similarly organized market. A new group of secondary markets in influence is being developed to serve another set of interests in the public lands. These influence markets require vast and probably uncountable numbers of resources—labor, capital, information, favor.

It is undoubtedly true that private markets could develop for land that is now public. Such private markets might work quite in conformance with the neoclassical model, although there is no guarantee. Setting up dollar oriented markets for public land would, like setting up influence oriented markets for the same lands, require large sums of resources and much time. One does not sell 742 million acres without making preparation for the event. The marketeers, for all the beauty, elegance, and symmetry that attaches to their models, most often omit reference to the costs of getting the market started. The catch-all term "transaction costs" is a lame substitute for hard evidence in this situation. Gardner will serve his profession very well and do himself no harm if he launches an intensive research on the costs—direct and indirect—associated with establishing a market to dispose of the public domain. (In all fairness it must be admitted that this very theme can be found at several points in the paper.)

Disposing of the public domain has some appeal when it is judged against the harsh rules of optimality and efficiency. Coming in 1983, though, it also carried some anachronistic overtones. On the one hand, there are those who want land transferred to private owners because the transfer would encourage economic efficiency. On the other, there are those who want, and are getting, more controls and regulations on land that is already in the private sector. Both publicness and privateness in land seem to be eroding. One suspects that there must be an optimal amount of publicness (or privateness) in all classes of land. This optimality will require a unique set of tradeoffs among efficiency, equity, and justice. Surely here is the basis for scores of research hypotheses. They ought not go ignored.

All this and much else like it gets scant attention in the Gardner paper. In large regard, the interesting issues fit only under the modest admission that major sales of large parts of the public domain would rearrange income, wealth, and the incidence of externalities—a circumstance that is already well known, albeit poorly measured.

But these are minor points. Gardner is to be given high marks on his cogent treatment of economic efficiency and how it fares under market allocations and under political allocations. He is to be given especially high marks for his section on apologies—the admission that market allocations may not be much better than political allocations, and the speculations about what can go wrong. He provides excellent reminders of the technical lessons that most of us have forgotten. Gardner must be chastised, however, for giving us lessons in theory and its sometimes narrow applications. In choosing to do so, he missed the major purpose of this session: issues of the 1980s. We gained in one dimension but lost in another.

Turn now to Luther Tweeten and his commentary on how the decade of the 1980s is treating agriculture and rural communities. My complaint on the Tweeten paper is just the opposite from my complaint on Gardner’s paper: Tweeten tried to do too many things. More than this, many of the things that are included in the paper come to no useful end. Facts
without adequate interpretation do not provide fuel for analysis, criticism, or the generation of hypotheses. If Tweeten were asked about specific sections of his paper, his answers would undoubtedly start with, “It all depends.” And the answers depend on the assumptions. Specification of these assumptions would have given us strong clues on how to use the numerous facts, assertions, and conclusions that are provided in the paper. Little, however, can be done about that at this point. Let’s look at the paper as it is.

There is no quarrel with Tweeten’s general notion that rural communities are changing and that their economies are more diverse than they once were. There is no quarrel with the idea that transfer incomes will increase as a part of the disposable personal income available to rural residents. There is no quarrel with the farm size issues nor with the high forward linkages associated with large farm scenarios nor with the high backward linkages associated with small farm scenarios. But it is here that Tweeten piqued my curiosity.

Tucked away in a paragraph related to farm size, farm income, and community linkages is a short sentence that conjures up images of innumerable chalkboard diagrams straight from the course that is used to teach students of agricultural subjects some of their earliest catechisms and litanies of economics. Tweeten’s sentence reads, ‘Given time, all costs tend to equal all receipts.” This is correct if, and only if, the theory is correct in its provisions about the long-run equilibrium of the firm. Even then, the condition, “given time,” must be met. It is clear that in the real world we have not had enough time. Tweeten is talking about a system that is in equilibrium and one in which all factors are being paid with respect to their marginal contribution to the process of production. He is describing an industry in which—as the scholastics, the classicals, and the neoclassicals would have had it—the returns to each factor are satisfactory enough to ensure a continuing supply of each factor to its present employment. This is a difficult argument to accept when speaking of an industry that has been in, and is plagued by, persistent disequilibrium, sub-marginal returns, and rapid changes in structure.

Regardless of these lapses, there is a lesson here. The rural economy was at one time (perhaps as recently as the time of Goldschmidt’s Arvin and Dinuba studies) an agricultural economy. That is no longer true. Now the rural economy includes a farm economy that is quite severely circumscribed by the rules, mores, and inducements attaching to the structure of farming. More than this, the rural economy is a creature of demographic change, pension and retirement systems, county planning, monetary policy, international trade, and general labor force activity within the domestic economy. He who is to understand rural economics must also understand each of these other attributes. He who is to understand these other attributes of an economy must increasingly understand an agricultural economy that goes well beyond the corn/hog cycle. Luther Tweeten is asking us for a broadening of interest and concern. He has given us major headings, but he has not provided convincing detail. These may be issues, but which are important and which are merely curious? Tweeten needs ten more pages and four less themes.

Looking at the papers as a pair, I am persuaded that the authors should have played mix and match. Gardner needs more topics; Tweeten needs fewer. Gardner gives us good lessons on getting through the neoclassical noose, but he sacrifices distributive justice and belabors efficiency. Tweeten does not specify his rules carefully enough. His paradigms are essential inputs into his model, but they go unremarked in this version of his work. Perhaps he should have elaborated the rules because his glimpses of the future...
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will hold only under certain conditions. We need to know them if we are to understand the paper.

In a topical sense, I wish Gardner had spent more time with water and less time with the public domain. A market for water is certainly evolving and its consequences carry the potential of being far more unsettling than a market for public land. Regardless of whether land or water is the focus, the time is here when analysts, theorists, and commentators must call upon the best parts of several paradigms—neoclassical, institutional, and public choice—to solve natural resource problems. Surely Gardner will incorporate the best of each as he continues his research.

Tweeten’s paper could have been strengthened if he had recognized explicitly that most of his causal relationships are or can be two-way. Farming certainly affects rural economies but rural economies have their influence over farming as well. Although the majority of the nation’s agricultural economists should still be concerned with PIK programs, conservation farming, and agricultural policy, an increasingly large cadre should intensify efforts to understand how non-farm and even non-rural events can and do shape the character and change the productivity of the agricultural industry. We do not need global models. At this point we need little more than explicit recognition that complexity has rendered much present modeling obsolete.

Agriculture, Natural Resources, and Issues of the 1980s. Del Gardner and Luther Tweeten have given us some things to worry about. Our first worry is whether or not the things they gave us are the right things about which to worry. I am tempted to suggest that they did not exhaust their considerable intellects in these two papers. A less accusing suggestion is to ask them to talk to us again in 1990 and to give us a retrospective on the things that they have said to us in their present writings.

References

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