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PROCEEDINGS
of the
WESTERN FARM ECONOMICS ASSOCIATION

THIRTY-SIXTH ANNUAL MEETING

JULY 24, 25, 26, 1963

UNIVERSITY OF WYOMING
LARAMIE, WYOMING

GOVERNMENT POLICY AND INDIVIDUAL INITIATIVE,
RIGHTS, AND RESPONSIBILITIES

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The economic purist may ask what place a discussion of government policy has on the program of a professional economic society. Economics, being a social science, is so interwoven with government policy that it is difficult to conceive of an economic problem that is not influenced directly or indirectly by government action. In fact, one can argue that the governmental environment determines the prevailing economic system. An economy under anarchy certainly is different than one under an absolute dictatorship. Between these extremes there are numerous other types of governmental environments, each of which has an impact on the prevailing economic system.

Thus, some discussion of objectives seems appropriate. Government policies are determined by philosophies. The political philosophy of the United States is democratic. A general statement of this type of philosophy was expressed by the President's Committee on Civil Rights in 1947 in its report To Secure These Rights. The report states: "The central theme in our American heritage is the importance of the individual person. From the earliest moment of our history we have believed that every human being has an essential dignity and integrity which must be respected and safeguarded. Moreover, we believe that the welfare of the individual is the final goal of group life. Our American heritage further teaches that to be secure in the rights he wishes for himself, each man must be willing to respect the rights of other men. This is the conscious recognition of a basic moral principle: all men are created equal as well as free.... Thus, the only aristocracy that is consistent with the free way of life is an aristocracy of talent and achievement. The grounds on which our society accords respect, influence or reward to each of its citizens must be limited to the quality of his personal character and of his social contribution.^{1/} If this political philosophy is accepted, the objective of government policy will be to achieve the recommended ends.

The question arises as to what types of economic policies are conducive to attaining these ends. Policies tend toward being over-all or specific in nature. Many individuals believe that over-all policies are more conducive to maintaining a democratic political philosophy. Yet, under certain conditions, specific measures are justified as a means for supplementing over-all measures. For purposes of this paper, it will be assumed that the objective of public policy is to stimulate the use of resources in their most productive environment under the tenets of a democratic political philosophy. To employ resources in their most productive environment, the goods and services produced and consumed must be of such a mix that they tend to maximize satisfaction.

^{1/} The Report of the President's Committee on Civil Rights, To Secure These Rights, United States Government Printing Office, Washington, D. C., 1947, page 4.

Two major groups of problems are involved in efforts to accomplish this objective. First, different individuals have varying concepts as to what constitutes maximized satisfaction. Second, efforts devoted to attaining the objective of maximized satisfaction can be channeled in various ways. The particular way in which they are channeled determines the economic system that prevails.

The Concept of Maximum Satisfaction

Both needs and tastes of individuals vary. Consequently, the concept of providing a fixed "package" of goods and services to each individual in a society would not maximize satisfaction. At the other extreme, it can be argued that resources should be used and goods and services distributed in such a way that the largest amount and most important wants of each individual should be satisfied. This concept of maximum satisfaction is not completely feasible for numerous reasons. Many individuals have wants which, if satisfied, are detrimental to society as a whole. Furthermore, if we accept the tenets of a democratic political philosophy, as expressed previously, respect, influence, and reward for each citizen are limited to the quality of his personal character and social contribution. Finally, it should be pointed out that not all individuals in a society can satisfy even their basic wants. For example, children and the ill may not be able to provide for the necessities of life. In many instances, an individual's total contribution to society can be enhanced by providing his livelihood while he is being educated or is recuperating from an illness.

Difficulties such as those just mentioned make it extremely difficult to devise government policies that are conducive to encouraging an economic system that is completely compatible with a democratic political philosophy. If each individual accepted proper responsibility, the chore would be much easier. Since all individuals do not accept such responsibility, it is always necessary to analyze government policies in terms of the environment that currently prevails. This poses the question as to what type of economic system should be encouraged by government policy in our efforts to maintain a democratic political philosophy. The question is not an easy one to answer because of: (1) the problems involved, and (2) the inter-relationships existing between individual initiative, rights, and responsibilities.

Economic Systems

Present-day economic systems can be divided into those in which a central authority directs the individuals of a society in achieving its economic objectives and those which rely upon impersonal mechanisms--such as the price system--to achieve these objectives. If the central authority directs, administered economies tend to prevail. If impersonal mechanisms are relied upon to guide and direct, laissez-faire economies tend to prevail. Neither the case for a completely administered nor a completely laissez-faire economy is tenable. Instead, it is necessary to make our analysis in terms of policies that encourage a trend toward a more highly administered or toward a laissez-faire economy. Potentially, there are as many different kinds of economic systems as there are degrees of variation between completely administered and completely laissez-faire economies.

The major difficulties encountered in attempting to establish a freely competitive economic system are caused by the unrealistic assumptions that underlie the system. In many sectors of the economy, technology is such that only a limited number of firms can exist. Complete and instantaneous mobility of resources does not exist. Individuals do not have perfect knowledge and they frequently do not use rational behavior. If the general price level fluctuates too erratically, prices cannot perform their function of balancing the various economic forces properly.

Because of these weaknesses, governmental policies have been established that tend to regulate, provide more adequate knowledge, stimulate mobility in resources, and control. Many of these policies--such as antitrust legislation, monetary policy, fiscal policy, research, and education--have been over-all in nature. However, many other policies such as those providing for pricing of individual goods and services have been quite specific in nature. Furthermore, many of the over-all policies, in actuality, have been specific in nature because of the method by which they were set up or enforced.

The result has been a heterogeneity in which different phases of policy frequently have been antithetical. For example, it has been the policy of various governments to encourage certain sectors of the economy to combine in order to attain market power and, at the same time, to encourage antitrust legislation to prevent attainment of such power generally. The concept of countervailing power is based upon this kind of logical incongruity. I do not intend to condemn or defend the concept of countervailing power, but, instead, to point out the difficulties involved in policies aimed at either attaining or maintaining such a concept.

Economic Aspects of Farm Policies

Legislation pertaining to agriculture provides a good historical laboratory for evaluating evolution in government policies. In 1776, when America proclaimed her independence, the Nation was dominantly agricultural. The major problems were to settle a vast area and develop an economy that would function. Because of the political traditions of that time, the sparse population, and poor transportation and communication facilities, there was almost complete apathy on the part of government toward agricultural activities. As the public domain was being settled, with the development of better systems of transportation and communication, and with the development of specialization, farmers began to see advantages of having government establish certain policies pertaining to agriculture.

It is not my purpose to trace through the historical development of agricultural policy by the Federal Government. Instead, it will suffice to point out that the first interest of the Federal Government to enter into agricultural activity was extremely modest. In 1839, upon the advice of Henry L. Ellsworth, Commissioner of Patents in the Department of State, Congress appropriated \$1,000 for "...the collection of agricultural statistics and for other agricultural purposes." From this beginning, agricultural activities of the Federal Government have evolved to those of today.

The major concepts included in current farm legislation (price supports, production controls, consumption expansion, and credit availability) have been embodied, in one form or another, in most farm legislation that has been passed since 1929. Thus, we are rather familiar with the advantages and disadvantages of policies that embrace these concepts. A brief analysis of each of these concepts should enable us to observe some of the inter-relationships existing between government policy and individual initiative, rights, and responsibilities.

Price Supports

An empirical analysis of price support programs indicates that the relative level of commodity prices can be stabilized substantially by effective use of such supports. On the other hand, such an analysis also provides convincing evidence that effective support programs involve considerable costs both in terms of money and loss of freedom to make personal decisions. Such programs also result in a different allocation of income than would otherwise exist and require much effort to administer. The real issue involved is whether the benefits are worth the costs and efforts involved. The answer, of course, depends to a large extent upon value judgements.

A major problem in the use of price supports has been that they tend to stimulate production and discourage consumption, if they are high enough to be effective. Thus, it has been necessary to use production controls and provide subsidies for expanding consumption in both the domestic and world markets. Numerous specific examples could be cited that illustrate the many kinds of legislation needed to offset the unbalancing effects of price support programs. The important consideration, however, is that we realize that both personal and monetary costs are involved in efforts to achieve the desirable features provided by effective price supports. The policy of supporting prices of individual commodities does influence individual initiative, rights, and responsibilities for society generally as well as for the farmers involved. The real issue is whether we are getting a more desirable mix with this policy than we would by following some alternative policy.

Production Controls

One of the major problems in attempting to restrict agricultural output is that the effects of adopting new techniques in farming have more than offset those of programs for restricting production. To comprehend this development fully, it is necessary to remember that farm products can be produced by using varying combinations of resources. Within relatively broad limits, a producer can substitute land, labor, or capital for each other in the productive process. If use of one of these factors is restricted by legislation, but no restrictions are imposed upon the other factors, total output can actually be increased within rather broad limits despite the restriction.

In recent years, most efforts to restrict farm production by legislation have been directed toward limiting the amount of land that could be used for producing certain agricultural products. During this same period, the techniques that have been adopted by farmers frequently have been those

both the domestic and international economies make it necessary to have a different kind of government policy today than has prevailed in the past. It seems rather unrealistic from an economic viewpoint to condone those aspects of public policy that tend to retard growth, except perhaps as temporary expedients in efforts to attain more worthwhile long-run goals. It also should be emphasized that a lack of government policy in the current environment is likely to impinge upon individual initiative, rights, and responsibilities even more than many of the government policies now being followed. The objective cannot be to exterminate government policy. Instead, it should be to develop policies that will enable us to attain the most desirable economy within the tenets of our democratic political heritage.

DISCUSSION: THE IMPACT OF NATIONAL AND INTERNATIONAL POLICIES ON THE
ECONOMY OF THE WEST
and
GOVERNMENT POLICY AND INDIVIDUAL INITIATIVE, RIGHTS, AND RESPONSIBILITIES

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Dean Huffman has once again presented to us a thoughtful and interesting discussion of a topic of nearly limitless bounds. He begins by dividing the West into two economies--the internal economy and that of the Pacific Coast. He then presents three general characteristics of these economies as a framework for evaluating the impact of selected governmental policies and programs. Huffman then explores briefly the implications of specific programs grouped under eight general policy areas on the economies of the West.

The first four of these areas deal with questions of natural resource policy, development and management. His thoughts regarding the effects of the changing political climate of the West, particularly at the State and local levels, on public policy with respect to resources would have been of interest. I suspect he concludes that the magnitude of the problems are likely to overwhelm the resistences encountered, though both the time lag and expense in reaching a solution may be increased. His views on the changing relative demands for the products of our natural resources and public lands would also have been of interest.

The remaining areas he considers important to the economies of the West include the strictly farm, monetary and fiscal, military and space, and foreign trade policies and programs. He concludes that the future role of national policy and programs cannot be reduced but will necessarily be increased. The magnitude of this increase will depend in large part on the attitudes and positive programs of local, state, and private groups.

Rather than attempt to list other policy areas which might be of some relevance to the West--an approach I do not consider fruitful--I have chosen to amplify briefly on two specific issues, both of which have intraregional differences in impact and importance in the West. These are chosen to illustrate the differences in viewpoint, rather than on the basis of their importance. As Dean Huffman has clearly pointed out, the West consists of several regions, each with its own physical and economic characteristics and each

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affected in a different way or to a different degree by given governmental programs or policies. For example, the pending tariff negotiations with the Common Market countries are viewed quite differently by the various segments of western agriculture. The attitudes of the Oregon or California fruit and vegetable processors and producers toward these negotiations (which are by no means homogeneous within the "group") is quite different from that of the livestock producer and packer in Colorado or wheat farmer and miller in eastern Washington.

Western Europe has historically been an important market for both fresh and processed fruits. The formation of the Common Market was viewed by many as the beginning of an era of expanded sales for these products as personal disposable incomes, levels of employment, and population were expected to increase. Few accurately foresaw the influence that was to be exerted by individual partners, particularly with respect to agricultural policy. This development, plus an increasingly unfavorable trade balance between the United States and the Common Market countries has brought about a strong interest to negotiate new tariff levels on a wide range of products. Included are a number of fruit and vegetable products. Intensive efforts are now being made to evaluate the potential impact of changes in tariff levels and other trade restrictions which might be faced. Should export markets be effectively cut back through trade restrictions, the agricultural incomes of California and Oregon could be significantly reduced. But there would still be groups such as the wine grape producers and vintners who would stand to gain from higher domestic tariffs. The inadequacy of general conclusions concerning the impact of policy measures on any region is, I think, well illustrated.

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The second issue is that of national policy with respect to the importation of farm labor from foreign sources. The producers of such labor intensive crops as canning tomatoes, lettuce, some citrus and deciduous fruits and other crops have become dependent to varying degrees on the Mexican National or bracero to meet the peak seasonal requirements for field labor.

The failure of Congress to extend the program early this summer will force extensive adjustments in the cropping patterns of some areas in these states, heavy capital investment by farmers and others in purchasing or developing new machinery at a faster rate, serious procurement and scheduling problems for some agricultural processing industries, and some sleepless nights for farmers and bankers as well. I expect that this issue is of little concern in those areas of the West not dependent on the foreign seasonal labor.

Other examples of the differing interests of various sections of the West in public policies and programs could be cited. But, at this point, I would like to turn to the second paper.

Doll begins with the position that government policy or action not only influences virtually every economic problem (he might have added "decision") irrespective of the form of government. He then suggests that "governmental environment determines the prevailing economic system." Aside from the fact that a considerable case might be made for interdeterminancy between governmental environment and economic system, it is difficult to disagree with his position.

Against this background he proposes to consider the influence of "our type of governmental environment on economic policy." While he does not explicitly define the type of governmental environment he believes to exist, the statement from the report the President's Committee on Civil Rights from which Doll quotes and several other points in his paper suggest that he is talking about a democratic form of government emphasizing the dignity and rights of the individual, a government with sufficient strength to safeguard the rights of all individuals, and one which does not interfere with the rewards to individuals so long as they are commensurate with the social contribution and personal character of those individuals.

He then argues logically that governmental policies and programs should have as their general objective the achievement of the implied ends. Specifically, he assumes that "the objective of public policy is to stimulate the use of resources in their most productive environment"...(i.e., to produce and distribute the mix of goods and services which will maximize satisfaction)... "under the tenets of a democratic political philosophy." From this point on, his discussion might have been facilitated had he used the term "goals" when referring to policy and referred to those specific activities related to means as programs.

After examining selected divergencies between the philosophical framework and the variations in individual wants and abilities, he concludes that it is difficult to devise government policies that are conducive to encouraging an economic system that is completely compatible with a democratic political philosophy. Our economic history provides support for his viewpoint, though the more critical issue, in my opinion, is the extent or degree of the incompatibility that may exist at any point in time and the direction and rate of change.

He then considers the characteristics of alternative economic systems, particularly the classical laissez-faire system and correctly concludes that, while it might come closest to establishing a governmental framework in keeping with the spirit, if not the word, of the democratic society, the fact that people refuse to accept the full responsibility this type of society implies, and that the assumptions of the laissez-faire system are not in reality met, some regulatory, informational and control activities by government are essential.

Throughout the paper he implies or states that conflicts exist between policies themselves and between policies and the maintenance of a democratic political philosophy, particularly as these policies and programs relate to more specific and narrower issues.

At this point, Doll turns to a succinct review of the general economic aspects of our farm policies including price support programs, production controls, consumption expansion and credit availability. It is at this point that I expected to be brought back to the main theme of the paper with at least some qualitative evaluation of the impact of these programs on individual initiative, rights and responsibilities of various segments of our population.

Perhaps this is too much to expect in the limited time allotted to each speaker, but I must admit some disappointment in not at least discovering what Doll's opinions are on these questions. He does provide some very general

indications, largely of an aggregative nature, of how he feels that various programs might influence rights and, to a lesser extent initiative. I failed to grasp what he may have said with respect to responsibilities.

I suspect his desire to avoid introducing his own value judgements, which he has carefully done until the conclusion of his paper, restricted his evaluation considerably. Yet, he states in the opening paragraph that economics is a social science and argues that government and economics are interwoven. As a social scientist, it is difficult for the economist to ignore all value judgements unless he wishes to reduce his contribution to society to that of a mere mechanic. On second thought, this might be advantageous given our present scale of awards for social scientists and mechanics.

Doll's reluctance to interject any value scale in his discussion of price supports forced him to such conclusions as "the policy of supporting prices of individual commodities does influence individual initiative, rights, and responsibilities for society generally as well as for the farmers involved." Following this, he states that the real issue is whether we are getting a more desirable product and service mix with this policy than we would following some alternative policy. I doubt if there will be any disagreement on either his conclusion or his judgement as to the relevant issue.

But, would it not have been more in keeping with the title of his paper to explore the likely effects of these programs on the initiative, rights, and responsibilities of members of different groups within agriculture and within the nonagricultural segment? Or the net effect on initiative and rights of any group in agriculture and outside agriculture as a result of these programs?

Or, with respect to production control, could it not be possible that the increased range of choice open to the farmer as a result of enhanced income could partly or totally offset the reduction in his choice in allocating his productive resources as he chooses? Whose rights are being infringed on and in what way, whose initiative is being altered and is it detrimental or beneficial to the individual and society as a whole? Whose attitudes toward responsibility are being influenced by these programs and in what way? These seem to me to be the critical questions.

Perhaps of even greater interest to economists is whether or not there is something to be learned from the past that, given our governmental framework, can help devise programs that will infringe less on the rights, initiative and responsibilities of the individuals if, in fact, current programs on balance do so infringe. While I am personally of the opinion that they do, the evidence is yet to be sought out.

Doll has convinced me that production control programs have done much for the initiative of farmers and, he might have added fertilizer salesmen, farm equipment companies, and many others. Some evidence exists that agricultural scientists have been stimulated to greater activity in such directions as helping farmers obtain higher yielding varieties as a means of offsetting the reduction in planted acreage. It would be difficult to convince the plant breeder that such action evidences irresponsibility toward society as a whole.

Exploring the implications of control program effects on the now agricultural segment of our society can challenge the best imaginations. In

California, the imposition of rice allotments restricts the good duck and goose hunting acreage for the growing numbers of city-based hunters. Much initiative is shown by both hunters and landowners to keep the total hunting capacity at a high level. But another group of our society--the undertakers--are probably indifferent for though the total acreage and perhaps even the total number of hunters is reduced, the concentration of hunters per acre of rice stubble is greater. Whose rights, initiative, and responsibilities are being influenced and in what ways?

With characteristic caution, Doll concludes on the basis of several arguments which have been well-documented in recent years, that programs designed to expand consumption "also influence the rights and responsibilities of both our citizens as well as other members of our world society."

Doll's own values first appear in his concluding section. He states that the objective cannot be to exterminate government policy given conditions as they exist today. Instead, he concludes that the objective should be "to develop policies that will enable us to attain the most desirable economy within the tenets of our democratic political heritage." This will be difficult to accomplish until the very questions raised in the mind of the reader of this interesting and well-written paper are answered.

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