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“WHAT IS AGRICULTURAL ECONOMICS?”

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HOW TO REINVENT AN UNDERSTANDING OF AGRICULTURAL ECONOMICS IN DEPARTMENTS *

Ralph D. Christy
AAEA President-Elect and Professor, Department of Agricultural Economics
Cornell University

Introduction

As an applied field of economics, Agricultural Economics has relevancy for at least two sets of decision makers: first, the private decision makers such as entrepreneurs, agribusiness firms, and consumer groups (to name a few) participating within the food and fiber marketing system; and second, the public policy decision makers who are concerned with dysfunctional markets. As two terms once important to agricultural economists—agriculture and rural—lose their uniqueness, the constituents for our work have expanded, perhaps more rapidly than our collective professional ability to adapt to them. Today, private decision makers and public policy-makers concerned with rural education, environmental issues, rural-urban poverty, and international trade are in need of economic information. Many of their questions are of a routine variety—they want to know about economic efficiency—and our profession has served this demand quite well. As society becomes more socially complex and globally integrated, however, questions such as "How can policy best be formulated to solve social problems?" or "What is the appropriate strategic response or initiative for a firm faced with global competition?" often become increasingly more difficult to answer. These sorts of questions require at a minimum a new understanding of markets and the public policy process.

My perceptions of the Agricultural Economics profession as it seeks to design and evaluate alternative institutional arrangements within an economy and, consequently, to provide guidance for public and private decision makers, can be delineated into two observations:

- (1) Food and fiber markets are becoming increasingly more imperfect; witness the decline in the number of U.S. farmers and food firms; witness the control of sales by only a few large firms; and witness the proliferation of differentiated food products—in a phrase, what we are

* Presented to the National Association of Agricultural Economics Administrators, November 2, 1996 in Nashville, Tennessee. For a fuller discussion of the ideas presented herein see my SAEA presidential address, "Economic Correctness and Agricultural Economics." Ralph D. Christy, Professor, Department of Agricultural, Resource, and Managerial Economics at Cornell University.

firms; and witness the proliferation of differentiated food products—in a phrase, what we are seeing is the industrialization of agriculture. The relevance, and hence success, of agricultural economists will depend on how well we adapt, extend, and develop new theories and techniques for analyzing and predicting *strategic behavior* of firms in imperfect competitive markets.¹ This observation is reflected in the questions, "How does agribusiness view agricultural economics?" and its corollary, "What can agricultural economics offer to agribusiness?"

- (2) Policy issues are now arising from unconventional sources, and in addressing the questions brought about by such sources, a broader view of the policy arena must be adopted. In addition, a fuller understanding of the limits of markets and the limits of government must be acquired if agricultural economists are to be effective policy analysts.² This observation relates to the question, "What can markets do and what can they not do?"

My comments are intended to fulfill a three-fold purpose:

1. Discuss the major forces influencing the management of applied economic units within educational institutions of higher learning and within public agencies.
2. Identify the strategic issues confronting the agricultural economics discipline and profession.

¹ Carlton and Perloff (1990, pp. 400-401) refer to strategic behavior as "actions by a firm to influence the market environment within which it competes so as to increase the profits of the firm."

² James T. Bonnen reminds us that economic research and policy analysis differ significantly. He states "policy decision making is essentially a problem-solving matter and has to be described as multidisciplinary and prescriptive" (Bonnen 1989, p. 44). Economic analysis relies primarily on the application of tools of economic theory while public policy analysis requires the use of a group of disciplines, recognizes a characteristic of policy decisions as involving values (what is good or bad), and focuses on achieving a prescriptive statement about what ought or should be done (which is either right or wrong). These are substantially different kinds of analyses.

3. Suggest what managers/leaders of applied economic units can do to improve the performance (growth) of their organizations.

Major Forces Influencing the Management of Applied Economic Units Within Publicly Supported Institutions

Five major forces, acting independently and interdependently, influence the management of applied economic units within publicly supported institutions (Figure 1).

- Technology
- Economic
- Public Policy
- Demographics
- Environmental

Understanding these five forces is useful in making an accurate SWOT analysis. These five forces serve to provide opportunities as well as threats for applied economic units. Given their existing human and financial resources, the strengths and weaknesses of these units can be defined. The prime forces (technology, economic, public policy, demographics, and environmental) are mostly external to our organizations and are, for the most part, beyond the control of management. Strengths and weaknesses (i.e., human and financial resources), alternatively, are internal to our organization, and we have varying degrees of control over these factors. This SWOT analysis will lead to the identification of the major strategic issues facing the applied economics departments and governmental agencies. The purpose of defining the major strategic issues is not grounded in the usual **problem** identification framework; its aim is to identify the available **opportunities** and to act upon them for the sustained growth of the organization. The question is not whether we know what the problems are, but, rather, if we know where the opportunities are.

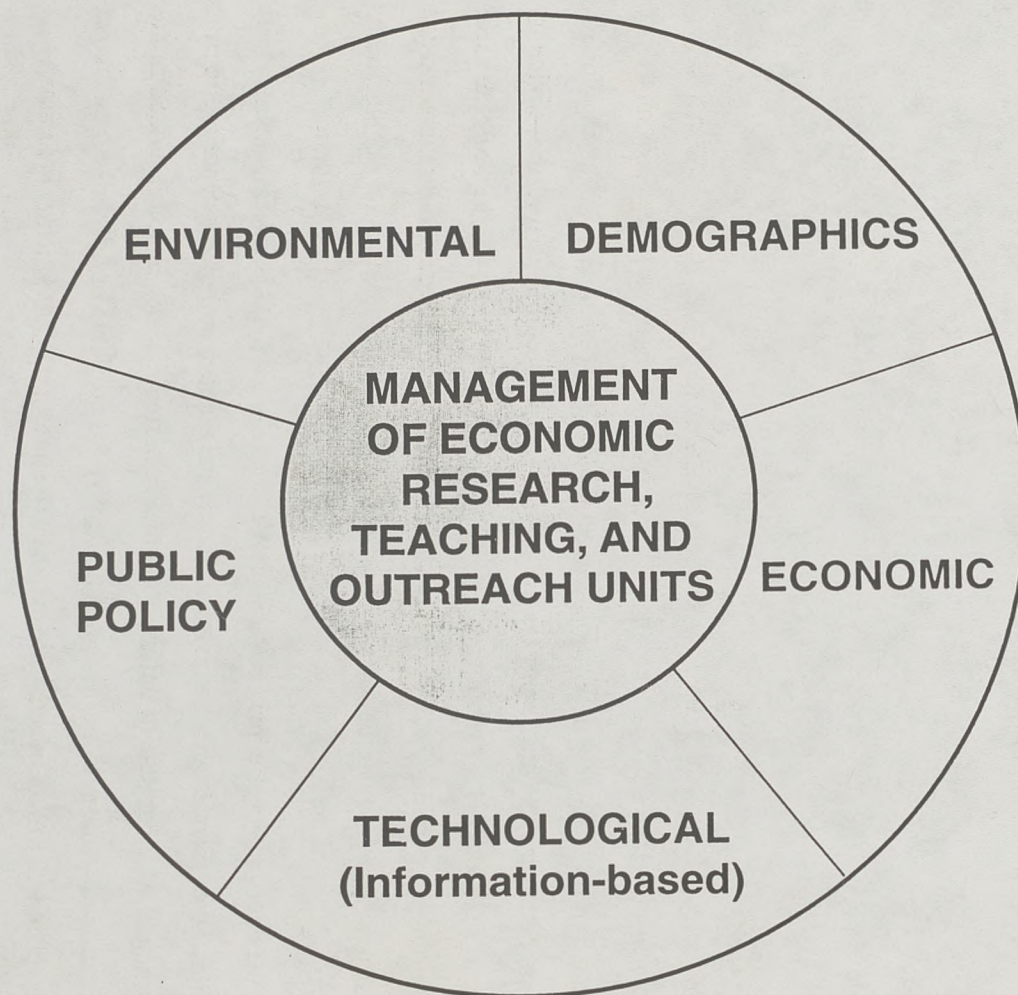


Figure 1: Major Forces Influencing the Management of Applied Economics Units.

Framing the Strategic Issues

Given the major forces influencing agricultural economic units, several general strategic issues emerge that frame collective choice and shared responsibility within applied economic organizations. These strategic issues (generic to applied economic units) can be viewed as a set of trade-offs between each of the concepts listed below.

- Discipline <--> Profession (Figure 2) ¹
- Agricultural Economy <--> General Business Economy
- Basic Research <--> Applied Research
- Government <--> Market
- Rural <--> Urban
- Production <--> Consumption

A continuum connects each of these individual entities as you can see from figure 2. Sandwiched between those polar points among the six continuum lies the combination of attributes that yield an effective organization—one that is poised to respond to the given opportunities for growth.

In resolving those strategic trade-offs, we must guard against the simple-minded solution--divide by two and take the middle road. We know what happens to people who stay in the middle of the road; they get run down! What we need is a clear-headed, tough-minded style of leadership that will guide our units through the above set of strategic issues.

What Must We Do . . . Widen the Base of the Triangle

- The agricultural economics profession is at an intellectual crossroad. Because we are applied social scientists, we face the challenge of constant self-identification and self-evaluation as

¹ Webster's Third New International Dictionary refers to a *discipline* as "(1) teaching, instruction, tutoring; (2) a subject that is taught: a branch of learning: field of study; (3) training or experience that corrects, molds, strengthens, or perfects esp. the mental faculties of moral character." And, Webster defines a *profession* as "a calling requiring specialized knowledge and often long and intensive preparation including instruction in skills and methods as well as in the scientific, historical, or scholarly principles underlying such skills and methods, maintaining by force of organization or concerted opinion high standards of achievement and conduct, and committing its members to continued study and to a kind of work which has for its prime purpose the rendering of a public service."

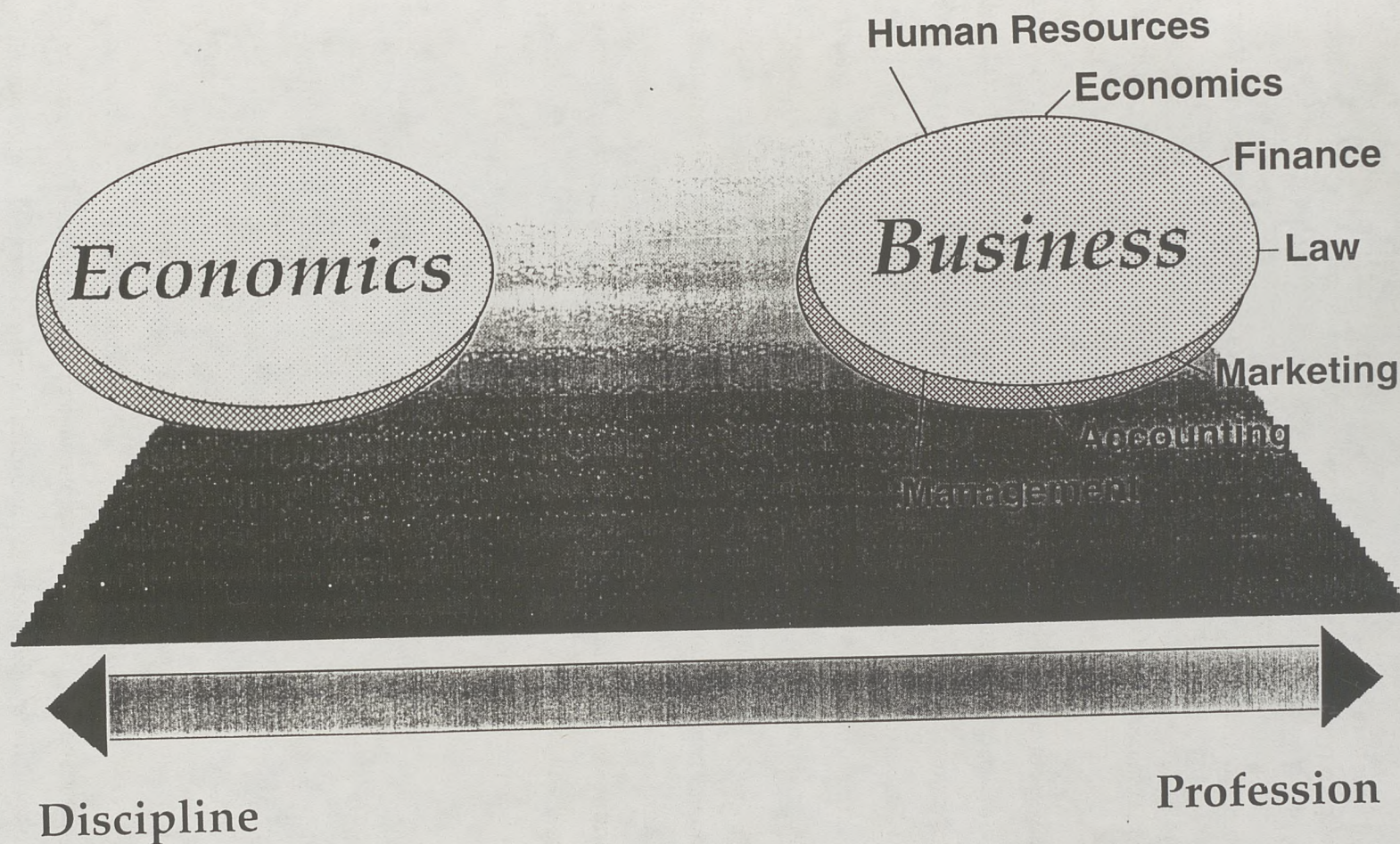


Figure 2: Framing the Strategic Issues

the world around us changes. Like other professionals, economists are sometimes reluctant to apply the tools of economics and management to the study of their own circumstances. This reluctance may be warranted when one considers the old adage about a familiar profession: **A person who represents himself in court has a fool as a lawyer!** While most departments have completed some type of strategic-planning exercise, we have little knowledge of how this effort influences resource allocation or directions taken within our programs. Little is known about how the strategic-planning effort influences the performance of departments, colleges, and universities. Strategic behavior has application for the management of departments, colleges, universities and, perhaps, for a broader set of professional issues as well (Kotler and Fox). **We must employ strategic-management techniques in our teaching, research, and outreach programs.**

- As a discipline and profession, agricultural economics has operated in a fairly decentralized manner. Many of our research activities are project-driven at an individual state level. The tightening of federal and state funds for research will change the way we do business. In the future, national priority-setting exercises will demand individual and organizational inputs from agricultural economists for the development of a strategy designed to increase public support for our research agenda. **Agricultural economics must work together to establish a collective, prioritized agenda for the national research priority setting exercises.**
- Within respective applied economic units, discussions are taking place on the appropriate titles of the agricultural economics profession, affiliated associations, and scientific journals. Some hold the view that the comparative advantage of agricultural economists is in applying our tools to a broad range of problems. Others caution us not to forget our traditional base of support--agriculture. We must do more than change names. The challenge for applied economists is to design and to evaluate alternative institutional arrangements within an economy and, consequently, provide guidance for public and private decision makers. "Economic correctness," the view that markets matter most, is the prevailing attitude not only in Washington, D.C. but around the world (Christy). As we approach the twenty-first century, it will take the combined efforts of the private sector and an enlightened public sector to solve the entrenched and emerging economic and social problems of our times.

The applied economics profession must continue to play a useful role in solving a wider set of problems.

- For almost a decade now, we have been discussing the major changes taking place in our work force. These trends--more women working outside the home, ethnic minority populations expanding at a higher rate than the average growth rate of U.S. population, and the recent wave of new immigrants who are largely from Asia and South America--will continue to shape our work place well into the 21st century. In my estimation, the applied economic organizations have been slow in preparing for this new work world. Our existing staff is largely homogenous, and the incoming students and younger staff members will come from more diverse backgrounds; our office dynamics will differ substantially. What are we doing to aid our organizations to embrace, to celebrate this new diversity? Diversity, once a moral imperative, has resulted in a legal mandates and battles. But I would suggest to you that, morality and legality aside, diversity, perhaps for the first time in our nation's history, is now an issue of economic survival (Wharton). It speaks directly to the competitiveness of our firms, organizations, and delivery of government services in a global economy.

Agricultural economics department heads must prepare their units for this diversity more aggressively.

William Dobson, in a recent issue of *Choices* compared the agricultural economic profession to that of a firm in a declining industry. However, Levitt observes:

Every major industry was once a growth industry. But some that are now riding a wave of growth enthusiasm are very much in the shadow of decline. Others which are thought of as seasoned growth industries have stopped growing. In every case the reason growth is threatened, slowed, or stopped is not because the market is saturated. It is because there has been a failure of management. The failure is at the top. (Levitt 1995, p. 3)

Let's not fail to make use of strategic management to guide our organizations towards the opportunities and growth; let's not fail to act collectively in the national priority setting exercises so as to get our fair share of publicly funded research resources; let's not fail to play the important roles in solving society's problems so as to prove our relevancy; and let's not fail to take full advantage of our diversity so as to ensure our economic survival. Thank you for allowing me to share my thoughts with you on this critically important and exciting topic.

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William Dobson is a professor of economics at the University of California, Davis. He is the author of *Structuralist vs. Neoliberalist Agricultural Development* (Greenwood, 1985) and *The Modern World-System: A Capitalist World Economy* (University of California Press, 1974).

Every major nation in the world has experienced a period of rapid growth. This growth has been the result of a number of factors, including technological innovation, increased investment in infrastructure, and a shift from agriculture to manufacturing and services.

Let's not forget that the world is a global village. The actions of one nation can have a profound impact on the rest of the world. We must work together to address the challenges of the 21st century, including climate change, poverty, and inequality.