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INTELLECTUAL TYRANNY OF THE STATUS QUO



Agricultural Economists and the State

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[ABSTRACT, KEYWORDS, JEL CODES](#)

THE EDITOR OF *ECON JOURNAL WATCH* ASKED ME TO REFLECT on the development and character of the research field known as “agricultural economics,” and especially the narrower field, “agricultural *policy* economics.” It was suggested that I first say something about my professional experience and background.

I received master’s and Ph.D. degrees in agricultural economics at North Carolina State and Michigan State Universities, respectively. My graduate work and early professional work—in farm management and agricultural marketing—were quite conventional for a faculty member working in agricultural economics.¹ However, my view of economics and of economic research began to change following a sabbatical in the Department of Economics at

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¹ At the Ph. D. level, agricultural economics courses, including agricultural policy, agricultural production economics, and agricultural marketing courses were taken in the Department of Agricultural Economics. Micro, macro, international trade, and other economic theory courses were taken in the Department of Economics.

the University of Chicago. There, I became aware of the work by James Buchanan, Gordon Tullock, George Stigler, and other public choice economists that emphasizes the implications of the separation of power and responsibility in the political process for government regulation.

About the same time, I read Hayek's "The Use of Knowledge in Society" and began to read other works of Austrian economists (including Mises, Kirzner, Rothbard)—and, notably, James Buchanan's book *Cost and Choice*, which emphasized the implications of the subjective nature of cost as it influences individual choice. I then began to use these ideas—the subjective nature of cost, the separation of power and knowledge in the political process, and the separation of power and responsibility in the political process—to analyze government regulation in agriculture and related areas. Both the approach used, and the topics addressed, have been quite different from those of most other agricultural policy economists.²

My reflections on the field will emphasize the following points:

- The field of agricultural policy research grew enormously with the New Deal.
- Funding sources for agricultural policy research appear to affect its focus and findings.
- Agricultural policy economists have been moving toward liberalization of agricultural policy.
- The interventionist sentiment of current agricultural policy economists remains dominant.
- Agricultural economists are reluctant to move beyond positive economics to make judgments.

² Topics studied include: implications of the economic calculation debate (ECD) for agricultural land use planning, for economic development in agriculture, and for environmental policy; measurement of economic efficiency; Pareto optimal income redistribution; limitations of estimated rates of return on subsidized agricultural research; rent seeking; cost of production as a basis for farm price supports; market failure versus government failure; and Chicago political economy vs. conventional views in public policy.

AGRICULTURAL ECONOMISTS AND THE NEW DEAL

During the Great Depression, many prominent economists, including agricultural economists, favored central planning.³ They contended that classical economic doctrines were no longer relevant. Many, if not most, agricultural economists at the time thought that “scientific management” must replace the “clumsy mechanisms of unregulated price determination” (Kirkendall 1966, 44). M. L. Wilson, a prominent agricultural economist of that era, even proposed the creation of schools of “agricultural social engineering” (Wilson 1938, 3).

Leading agricultural economists played a major role in increasing government action in agriculture during the New Deal.⁴ Victor Christgau of Minnesota, the first agricultural economist to serve in Congress, introduced an agricultural planning bill in 1930. The Christgau bill (never enacted into law) called for the use of scientific procedures to increase profit in farming, plan land use, and serve the interest of the consumers and producers of farm products (Kirkendall 1966, 44).

Roosevelt’s New Deal administration quickly took steps to increase centralized control of American agriculture. Even before passage of the Agricultural Adjustment Act in 1933, Roosevelt authorized the reorganization of the Department of Agriculture to make it into an instrument of national planning. Later enactment of New Deal farm programs reflected “virtually full acceptance, for agriculture, of most of the techniques of monopolies, trusts, and cartels” (Benedict 1953, 514).

The New Deal farm programs markedly increased the demand for agricultural economists. From 1929 to 1939, the total number of agricultural economists increased about four times in the United States Department of Agriculture (USDA) and by about two-thirds in land-grant universities (Schultz 1941, 183). A prominent agricultural economist at the time concluded that after 1933, “almost every agricultural economist” was engaged, directly or indirectly, in the development, administration, or appraisal of government farm programs (Wells 1938, 753). Agricultural economics emerged as a major discipline during the New Deal Era.

³ This section draws heavily on (Pasour 1988).

⁴ Most of these nationally prominent agricultural economists were later named AFEA fellows, the highest honor bestowed by the American Farm Economic Association, which eventually became the current American Agricultural Economics Association.

IMPLICATIONS OF FUNDING SOURCES

Over the years, the USDA land-grant university system has played the dominant role in agricultural policy research (Benedict 1953). This has had important implications for the course of research.

The USDA was established in 1862 with the primary objective of discovering cost-reducing methods of producing and marketing farm products. It operated mainly as a scientific and statistical information agency for farmers until 1932, when it became a New Deal “action agency,” aiming to regulate the production and marketing of farm products.⁵

Also in 1862, Congress enacted the Morrill Act to encourage the establishment of an agricultural and mechanical college in each state. The Act provided for a grant to the states of thirty thousand acres of land for each representative and senator in Congress. The proceeds were to be used for the endowment and support of, at least, one land-grant college in each state.

Today, most agricultural economics research and educational activity is jointly funded (from federal and state funds) through co-operative agreements between the USDA and land-grant universities. Moreover, with few exceptions, agricultural economists in educational institutions in the United States now are employed in land-grant universities. According to the American Agricultural Economics Association, 70 percent of its members in 2002 were employed in educational institutions and 16 percent in government.⁶

Moreover, the economic livelihood of many agricultural economists is closely tied to the government’s role in agriculture. As economists, we must at least entertain the idea that economic interests will affect policy analysts’ views toward government intervention in agricultural production,

⁵ The Federal Farm Board, created in 1929, was the immediate forerunner of New Deal action programs in agriculture. The basic idea was to raise prices of wheat, cotton, and other products by government purchase and storage to cope with temporary overproduction and low prices. President Roosevelt abolished the Board in 1933.

⁶ The breakdown of U.S. membership in the American Agricultural Economics Association in 2002 (based on members specifying place of work) was as follows: 70%, educational institutions; 16%, government; and 14%, private business, cooperatives, farm/trade associations, etc. Although detailed data are not available, the lion’s shares of agricultural economists in government and educational institutions are in the USDA and land-grant universities, respectively. Source: Data provided by AAEA office.

marketing, and international trade. And, indeed, there is evidence that such interests do affect policy views.

Programs administered by the Department of Agriculture span a wide range of activities and agencies, including Farm and Foreign Agricultural Services; Rural Development; Food, Nutrition, and Consumer Services; Food Safety; Natural Resources and Environment; Research, Education, and Economics; and Marketing and Regulatory Programs. The programs are highly complex, and USDA offices are maintained in counties throughout the United States to administer the programs. These government programs currently employ more than 110,000 people (USDA 2003, 103). Included in this number are professional agricultural economists in land-grant universities, the Economic Research Service, Risk Management Agency, Cooperative Extension Service, and other agencies of the USDA.

Over time, federal financial support relative to state funding has decreased and no longer is the main source of support for agricultural economics. Yet, government farm programs continue to influence heavily the work agenda of agricultural economists, especially those engaged in policy research. The complexity of government farm programs provides increased opportunities for analyzing the effects of the programs.⁷

To some extent, policies in U.S. farm programs have shifted toward a market orientation. Even so, recent farm bills have done little to decrease work opportunities for agricultural economists. The 1996 “freedom to farm” bill did appear to mark a change toward free-market agriculture. It reduced reliance on price supports and the complexities associated with restrictions on land use in producing and marketing farm products. It instituted a system of seven annual fixed, but declining, payments to farmers from 1996 to 2002 that were independent of farm prices and largely independent of current production.

With the passage of the 2002 farm bill, however, the link between government payments and market prices was firmly re-established, and spending on U. S farm programs under the new six-year bill quite likely will set new records. In short, the operation and analysis of government farm programs continues to provide fertile ground for employment of agricultural economists.

I have always lamented the lack of competent criticism of the numerous restrictions on economic freedom in American agriculture, especially compared with economists’ criticism of restrictions in many other

⁷ A prominent agricultural economist labeled the 1986 farm bill a “full employment act for agricultural economists” (Ruttan 1986, 81).

sectors of the economy. Funding may be one big reason, as Nobel Laureate and agricultural economist T.W. Schultz contends. He suggests, for example, that it is outside the power of the Economic Research Service of the USDA to finance competent criticism of its own activities (Schultz 1979, 468). The procedures used in reviewing and publishing research in a government agency, such as the Economic Research Service, are unlikely to lead to the dissemination of results that fail to support current administration policy. As several scholars have pointed out, bureaucrats are unlikely to advocate positions that would result in reduced budgets (Stroup and Baden 1983, 49).

Agricultural economists in land-grant colleges and universities, not as dependent on federal funding, are under less pressure from federal policy makers. The influence of narrowly-focused, intrastate groups, however, can be strong. Many of these groups assume that agricultural economists should be “working for farmers.” State funding, and the placement of specialized federal agricultural research laboratories, respond to state farm lobbies. The local crop and livestock interests and farm lobbies work against any conceivable impulse of state-employed agricultural economists to remark on the emperor’s wardrobe—misbegotten government programs.

Academic freedom, also, is likely to be compromised where research criticizes or fails to support the programs of narrowly-focused groups. The Iowa margarine incident is the most notorious example of the danger to academic freedom when it adversely affects a powerful clientele. As I have previously noted:

In 1943, an agricultural economist at Iowa State College wrote a pamphlet on dairy policy. The study concluded that margarine “compared favorably” with butter in nutrition and palatability and argued for changes in federal and state legislation that impeded consumption of margarine. Following attacks on the pamphlet by groups of dairy farmers and the subsequent recommendation by a review committee that the pamphlet be retracted and revised, Professor (later Nobel Laureate) Theodore Schultz and several other agricultural economists resigned (Pasour 1988, 40).

More recently, cases have occurred in which agricultural economists who have questioned—or even failed to defend—restrictions on competition in milk, tobacco, and other products have faced political pressure from

within agriculture (Pasour 1988, 40). In 1984, agricultural economists at North Carolina State University published a report analyzing the effects of eliminating the “tobacco program”—a governmentally enforced producer cartel (Sumner and Alston 1984). The study merely discussed the effects of deregulation and did not explicitly attack the tobacco cartel. Yet, it created outrage among tobacco interests. The university and the authors were forced to hold a news conference to “clear the air.” In contrast to the Iowa State incident, however, university officials defended the research that was under attack. It is interesting to speculate, however, whether the university would have supported the authors if the study had explicitly gone after the tobacco cartel!

B. Delworth Gardner, former Director of the Giannini Foundation of Agricultural Economics, at the University of California, states that agricultural producer interests have exerted political pressure in cases involving subsidized irrigation water in agriculture in the western United States.⁸ In one such case, a report by agricultural economists criticized the Bureau of Reclamation for not enforcing the 160-acre limitation for receiving subsidized federal water on agriculture in the Central Valley of California. In response, agricultural interests demanded a meeting with the economists and the director of the Giannini Foundation and demanded that the report be suppressed. Although the report was not suppressed, the threat of such pressures against academic freedom is enough to make agricultural economists wary of opposing producer interests. And the pressures on the researcher are intensified when those affected can influence the policy economists’ source of funding.

Thus, social and economic pressures from college officials and funding agencies may make agricultural policy economists “pull their punches” in criticizing restrictions on competition in agricultural production and marketing.⁹ A free-market tobacco economist may merely engage in “positive analysis” of the tobacco program, without explicitly arguing for reform or elimination of the producer cartel. Similarly, free-market policy economists may lend support to an anti-liberal farm policy by failing to analyze it—by taking it as a given. In my experience, social and economic pressures are more likely to lead agricultural policy economists to refrain

⁸ Personal correspondence, October 31, 2002.

⁹ The Dean of the College of Agriculture and Life Sciences at North Carolina State University communicated to me, via the department head, that I should “do economics instead of philosophy,” following my criticism of government farm programs.

from expressing what they believe rather than to falsely represent what they do believe.

The views of agricultural economists on farm commodity programs appear to be influenced by the economic importance of the commodities in the region of employment. A survey of American agricultural economists by Pope and Hallam supports the hypothesis that their expressed views on policy issues are not independent of whom they work for (Pope and Hallam 1986). The survey, for example, showed significantly greater support for the tobacco program by agricultural economists employed in the Atlantic region (where tobacco is grown) compared with economists in other regions. Similarly, there was more support in the Midwest for government grain policy.

Commodity specialization was also found to be an important factor. Indeed, the major finding was the existence of “sympathy for programs and problems in one’s chosen area of study” (Pope and Hallam 1986, 582). Economists working as dairy specialists were unusually pro-interventionist, strongly favoring dairy marketing orders,¹⁰ and both dairy and livestock specialists tended to view agricultural markets as unusual, with characteristics suggesting intervention (Pope and Hallam 1986, 581).

LIBERALIZATION—EVOLVING VIEWS

Since World War II farm policies have become somewhat more liberal, and there appears to have been a corresponding shift toward liberalization in the views of agricultural economists working on policy issues. In a recent paper, Bruce Gardner (1996) observes that until about 1950, agricultural economists generally recommended intervention by government to improve the functioning of commodity markets. By 1990, overt support for such intervention by agricultural policy economists was much less frequent.¹¹ Gardner cites D. Gale Johnson, Luther Tweeten, and Willard Cochrane as examples of leading agricultural policy economists

¹⁰ Marketing orders empower government-appointed panels of producers and middlemen to make industry-wide marketing decisions about sales volume and standards.

¹¹ Gardner focuses on the change in views toward commodity programs that affect the production and marketing of farm products. His analysis of the changing views of agricultural policy economists does not include their stance toward subsidized conservation, subsidized credit, subsidized research, and other farm programs.

whose views on government intervention shifted substantially during the post-World War II era.¹²

Shortly after World War II, D. Gale Johnson, who served as president of both the American Farm Economic Association and the American Economic Association, recommended “forward prices for agriculture” policy (Johnson 1947). In this policy, the government would determine, and announce, the price for each commodity for the upcoming crop year, setting the price at the level that would clear anticipated supply and demand. If market prices fell sufficiently far below the forward price level, farmers would receive government payments. By 1991, however, Johnson was calling for a “consistent and gradual reduction of price supports and subsidies that affect output to levels that approach the prices that would prevail under a liberal world trading regime”—a recommendation clearly in the direction of liberalization (quoted in Gardner 1996, 228).

In spite of his forward pricing policy, however, Johnson’s views, even right after World War II, always favored reform in the direction of liberalization compared with the status quo. Johnson’s views were more market-oriented than either then-existing agricultural policies, or the views held by most other economists working on agricultural policy issues at the time.

The evolution of Luther Tweeten’s views is more striking. As late as 1971, Tweeten justified government commodity programs in agriculture on the grounds that they would create an orderly economic environment by stabilizing the production and marketing of farm commodities. He wrote, in his treatise on agricultural policy, that “the stability function is so important that a free market is now mostly an academic exercise” (quoted in Gardner 1996, 228).

In Tweeten’s updating of the treatise almost two decades later, in 1989, however, the emphasis on the stabilizing role of government farm programs was gone: “[A] greater market orientation in farming threatens neither the family farm nor food supplies” (quoted in Gardner 1996, 228). Tweeten’s more recent work reveals an even more favorable stance toward a free market in the production of food and fiber. He propounds a “new paradigm” for agricultural policy, emphasizing that agricultural commodity markets work—indeed, almost always better than the alternative (Tweeten 2002, 2).

¹² The following discussion of “forward pricing” relies heavily on Gardner (1996).

[C]ompelling historical experience demonstrates that . . . the market rarely can be improved upon for economically efficient provision of food and fiber and for economic growth, international competitiveness, and food security (Tweeten 2002, 2).

In short, Tweeten's views of the appropriate role of markets, in the production and marketing of farm products, have evolved considerably in the direction of liberalization.

Willard Cochrane's change is less pronounced. Cochrane, a government adviser on farm policy during the Kennedy era, was a staunch supporter of agricultural price supports and production controls. By the mid-1980s, however, he had changed his mind, writing that "we should eliminate the price and income support features of the commodity programs as quickly as possible" (quoted in Gardner 1996, 228). More recently, Cochrane characterized as "a little obsolete" his view that farmers face the "inescapable choice" between production controls and the ravages of the free market (quoted in Levins 1996, 18).

Gardner's survey concludes that the positions of Johnson, Tweeten, and Cochrane reflect a trend among agricultural economists from 1947 until 1990. In his words, there was "a movement from a position that appropriate commodity price regulation including price supports is called for, to a position that such supports should be eschewed" (Gardner 1996, 229).

There is some evidence that views of agricultural *policy* economists toward economic liberalization of farm policy are similar to those of other agricultural economists. In Pope and Hallam's survey of agricultural economists published in 1986, a majority favored intervention over laissez-faire in agriculture. The views of those specializing in public policy were not much different in this respect from other agricultural economists (Pope and Hallam 1986). The survey found less support for free markets by agricultural economists than a similar AEA study found for economists generally (Pope and Hallam 1986, 578). But it also reported that younger agricultural economists were less interventionist, and more critical of commodity programs, than members of the profession who were older (Pope and Hallam 1986, 591).

Why did the views of agricultural policy economists evolve, at least to some extent, toward liberalization during the decades following World War II? Gardner suggests that developments in economic theory have caused agricultural economists to be less inclined to see uncertainty as a source of

market failure requiring government intervention. He cites the theory of behavior under uncertainty generally, and of optimal insurance, futures, and cash contracting related to uncertainty—especially the theory of optimal storage policies—as important in the evolution (Gardner 1996, 239).

INTERVENTIONIST SENTIMENT

Even though there has been an evolution of professional opinion toward liberalization, there remains substantial interventionist sentiment among agricultural economists conducting agricultural policy research. “Market failures” still appear in many of the writings of agricultural economists, but as Gardner points out, “they are today more subtle and less amenable to translation into a commodity policy remedy” (Gardner 1996, 239).

Today, Johnson, Tweeten, and Cochrane would each reserve a significant role for government in the production and marketing of farm commodities. Johnson favors continued government support of agricultural research, the present farm credit system, and a more limited role for government in agricultural conservation programs.¹³

Tweeten would retain a significant role for government in coping with “market failure” in agriculture. “To be sure,” he wrote in 2002, “the government needs to play a role in provision of public goods (e.g., grades, standards, basic research, information systems, infrastructure, competition) so the market can function well” (Tweeten 2002, 2).

Cochrane, while calling for the elimination of price and income features of commodity programs (in contrast to Johnson and Tweeten) would continue to intervene to stabilize farm incomes—and would “distribute government income stabilization payments far more fairly” (Cochrane and Runge 1992, 261). He favors a more liberal international trade policy for agriculture, but not free trade. He writes:

The reason we support more liberal trade in agriculture is not that we think that “free trade” is possible or even desirable. It is because . . . a *more* open trading system in agriculture *will work to the overall advantage of U.S. farmers*

¹³ Personal correspondence, July 31, 2002.

because they are among the most individually efficient producers in the world (emphasis in original text) (Cochrane and Runge 1992, 265).

In short, Cochrane supports a more liberal trade policy in agriculture, but explicitly rejects the free market in American agriculture, contending that “there will always be a need for some kind of safety net for farmers” (quoted in Levins 1996, 18).

Other prominent agricultural policy economists strongly reject the free market as a model for American agricultural policy. For some, the rejection stems from, what they perceive to be, a failure of economic models to explain the operation of agricultural markets and an inability of agricultural markets to satisfactorily coordinate the production and marketing of farm products. In other words, they see a continuing “market failure.”

Darrell Ray, an agricultural economist who holds the Blasingame Chair of Excellence in Agricultural Policy and is the director of the Agricultural Policy Center at the University of Tennessee, challenges the view that agricultural commodity markets work.

There is no recognition that, when crop prices capsize, market demand does not provide a rigging to raise them back up again. . . . There is also no recognition that market response on the supply side is no help in the search for a cure for low prices. . . . While belief in market self-correction via supply and demand response to depressed prices may have been a reason to embrace the 1996 legislation, why would we want to take that dog out to hunt again this time around (Ray 2002).

Neil Harl, Charles F. Curtis Professor in Agriculture, Professor of Economics at Iowa State University, and former president of the American Agricultural Economics Association, supports Ray’s views and proposes a global food and agriculture policy.

Farm policy debate in the United States in the 1920s was largely about whether it was appropriate to have a national food and agriculture policy. To a considerable extent, the decision was in the negative until 1933. In many respects, farm policy today poses a similar question: should efforts be directed toward a global food

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and agriculture policy? In the opinion of this commentator, the answer is yes (Harl 2003, 11).

Ronald D. Knutson, agricultural policy economist at Texas A&M University and co-author of a widely used textbook in American agricultural policy, is a staunch defender of agricultural commodity programs. Knutson indicated recently that “the 1996 Freedom to Farm Act and World Trade Organization negotiations have left American farmers with little more than a seed bag full of unkept promises” (Smith 2001, 17).¹⁴ In Knutson’s view (according to a press report), the “Promised Land” for farmers is the 1940s-era agricultural policy, which set parity prices and production controls (Smith 2001, 17).

C. Robert Taylor, Alfa Eminent Scholar and Professor of Agricultural Economics at Auburn University, contends that market power is a serious problem in American agriculture, especially in the meat industry. He argues that meatpackers and food retailers have too much market power and blames professional economists, including those involved in antitrust enforcement. Taylor holds:

The permissive attitude behind approval of recent mergers, acquisitions and joint ventures appears to be based on the single-minded pursuit of economic efficiency. Legislation including GATT, NAFTA, and Freedom to Farm also reflect the pursuit of economic efficiency, as does the teaching of many present day professional economists (Taylor 2002, 1).

Richard Rogers, Professor of Resource Economics at the University of Massachusetts, and Richard Sexton, Professor of Agricultural and Resource Economics at the University of California-Davis, agree. They contend that “markets for raw agricultural products are likely to be structural oligopsonies” and that “monopsony/oligopsony issues deserve strong consideration in food policy debates” (Rogers and Sexton 1994, 1149).

Richard Levins, Professor and Extension Agricultural Economist in the Department of Applied Economics at the University of Minnesota, holds that the market power problem warrants collective bargaining by farmers.

¹⁴ Ron Smith, the author of the article, indicated in an e-mail to me: “To the best of my knowledge, those are his exact words.” However, the words were not in quotes in the article.

Collective bargaining, unlike competition, has the potential to increase economic power in the farm sector (by “collective bargaining.” I mean face-to-face negotiation between a powerful farmer collective bargaining unit and some other food industry value chain powerhouse)(Levins 2001-2002, 17).

Neil Harl, a proponent of a global agricultural policy, and an ardent supporter of the proposed national ban on packer ownership and feeding in the American meat industry, agrees that the time for collective bargaining may be near:

The key question is whether producers will be willing to sacrifice independence of action in order to bargain collectively for access to inputs and for greater market power in marketing their products. The most likely avenue for such collective action is through organizations specifically created for that purpose. The time may be near when that will be the only practical alternative to vulnerability and serfdom (Harl 2003, 25).

The concern of a vocal minority of populist economists recently focused on market power in the American meat industry. The prevailing paradigm among these analysts is that concentration ratios are a measure of “market power” of firms in the industry (Bullock 2002, 1). In the analysis of the proposed national ban on packer ownership and feeding, Conner et al conclude:

The packer ownership amendment addresses real problems in the competitive environment of the livestock industry. The claimed harms arising from the amendment are largely not credible, and certainly less significant than the potential benefit to the marketplace. If any negative market effects occur, such effects will be the result of packers using their tremendous power over the market place (Conner et al. 2002, 10).

These views have not gone unchallenged. Barry K. Goodwin, Professor of Agricultural Economics at North Carolina State University,

shows that scale economies, or other competitive advantages, may lead to concentration in many industries without implying the existence of welfare-diminishing market power pricing.

In the context of this debate, it is also important to again note that increasing concentration does not confirm the existence of discriminatory market power pricing practices. A balanced approach will recognize the potential for economies of scale as a factor leading to increasing industry concentration (Goodwin 1994, 1165).

Specifically, in the debate over the importance of monopsony/oligopsony in the American meat industry, Bullock shows that based on packer profits the performance of this market is quite consistent with a well-functioning competitive market. Many other agricultural policy economists also have expressed judgment that a government ban on packer ownership and feeding—a move away from economic freedom—would be harmful to the American cattle industry, resulting “in reduced coordination, efficiency and global competitiveness of the beef and pork sectors” (Bullock 2002, 3).

DO AGRICULTURAL POLICY ECONOMISTS GENERALLY FAVOR LIBERALIZATION?

So, today the views of agricultural economists vary. As Daniel Sumner suggests, most agricultural policy analysts are “fairly market oriented in their assessments of policy.”¹⁵ However, it is easy to overstate the implications of this finding, for several reasons. First, many agricultural policy analysts strongly disposed toward freedom do not take a public position favoring reform when analyzing restrictions on competition in agriculture. Second, many agricultural policy economists—while opposing the regressive character of current programs—continue to support government subsidies to farmers. As shown, some prominent agricultural economists remain unconvinced that the free market can coordinate satisfactorily the production and marketing of farm products and continue to favor farm

¹⁵ Personal correspondence, May 28, 2002.

programs. Third, although agricultural policy economists' support for liberalization of commodity programs is mixed, their support for liberalization of non-commodity farm programs is even less enthusiastic.

In general, whether or not an individual is considered a free-market agricultural economist mainly depends on whether the individual favors price supports and/or income subsidy programs for those producing and marketing farm products. When it comes to other farm programs, they are much less skeptical of government intervention. These programs include subsidized crop insurance, subsidized credit, subsidized conservation, subsidized food, subsidized agricultural research and extension, marketing orders, and tax preferences in agriculture. The following, admittedly brief and sketchy, review of policy analyst's views provides some information on the direction of reform proposed by agricultural policy economists for non-commodity farm programs.

In government conservation programs, relatively little attention has been devoted to the costs and benefits of programs to "preserve agricultural land" through central direction—or of other "smart growth" policies. In large part, the voices of agricultural economists have been muted in the defense of market forces in the allocation of land to agriculture and other competing uses. Instead, most of the defense of liberal economic policies in land use has fallen to economists operating outside the USDA land-grant university complex.¹⁶

Agricultural policy economists express strong support for *increased* government subsidies for research and development in agriculture. In a host of studies estimating the return on government-funded agricultural research and educational activities, the authors argue for an expanded role for government funding of agricultural research and education. Vernon Ruttan, for example, citing a number of studies with estimated rates-of-return ranging from 30 to 60 percent, concludes: "There is little doubt that a level of expenditure that would push rates of return to below 20 percent would be in the public interest" (Ruttan 1980, 531). A more recent analysis of the results of similar studies of subsidized agricultural research during the period since 1958 concludes that a larger role for government is warranted for research and development in U.S. agriculture (Alston and Pardey 1996, 324).¹⁷

¹⁶ See, for example, (Baden 1984).

¹⁷ Both the rate-of-return estimates and policy recommendation are challenged in Pasour and Rucker (forthcoming).

In the case of government-subsidized crop insurance programs, the conventional wisdom among agricultural policy economists has been that systemic risk in agriculture is too large for private markets to handle. Consequently, most agricultural policy economists conclude that there is a welfare-improving role for government, as a re-insurer of last resort (Miranda and Glauber 1997, 206).

This claim does not hold up under scrutiny, as some agricultural economists have been pointing out. Shiva S. Makki, in a recent paper, argues in favor of liberalization of the current crop insurance program. “With some changes to the existing program design and limiting the government to provide only broad safety-net-type insurance products and area reinsurance, crop insurance programs could be made more efficient and less market distorting” (Makki 2002, 123). Goodwin and Smith, in a recent comprehensive analysis of government subsidized crop insurance and disaster relief programs, go much further. They conclude that current programs are rooted in political expediency and rent seeking instead of “market failure”—and that government subsidization of crop insurance is not justified on social welfare grounds (Goodwin and Smith 1995). B. Delworth Gardner, too, has expressed grave doubt about crop insurance and disaster programs in U.S. agriculture (Gardner 1995, 35-38). However, these authors are virtually alone in their bold criticism of subsidized crop insurance and disaster relief programs in U.S. agriculture.

Marketing orders for milk, fruits, and vegetables empower government-appointed panels of producers and middlemen to make industry-wide marketing decisions about sales volume and standards. Marketing orders utilize various measures, such as holding lower-grade products off the market, to raise consumer prices. A current, and widely used, agricultural policy textbook by prominent agricultural policy economists provides implicit support for these government-sanctioned and government-enforced producer cartels. It leaves open the question of whether “consumer losses in terms of higher prices” are more or less than “the consumer benefit in terms of uniform product quality” (Knutson, Penn, and Flinchbaugh 1998, 330).

Agricultural marketing orders have not been widely criticized by agricultural policy economists. The analysis by B. Delworth Gardner is a notable exception:

Eliminating the orders would impose some wealth losses on producers . . . but society as a whole would be better off. Like most other policies to protect agricultural

producers, marketing orders are anachronisms. . . . And the protection of growers from the rigors of full competition has produced industries that are bloated and inefficient to the detriment of consumers and efficient producers (Gardner 1995, 32).

Finally, there is water policy. Large, heavily federally subsidized water projects are very important in irrigation of agricultural production in the American West. These irrigation subsidies stimulate the production of crops and contribute to the problem of excess resources in agriculture. B. Delworth Gardner, long-time student of governmental water policy in American agriculture, recommends a liberalization of current water policies to produce a more efficient allocation of water.

[P]roperty rights in federal water should be created at the level of individual farmers so that markets can be formed to allocate water among potential uses and users. Legal and institutional impediments to market transfers of water must be identified and removed. Rights must be well-defined, enforced and transferable. . . . Prices should be freely negotiated between buyers and sellers without governmental intervention and no-profit constraints (Gardner 1995, 319).

POSITIVE ECONOMICS: DODGING RESPONSIBILITY

Despite numerous examples of interventionist sentiment, Daniel Sumner, prominent agricultural policy economist and director of the Agricultural Issues Center at the University of California, Davis, contends that “most economists” now accept the long-term goal of open agricultural markets and much-reduced government control of commodity supplies and prices (Sumner 1999, 1). Even so, agricultural policy economists frequently do not express judgment in favor of liberalization.

Although the source of funding may be one factor in this failure to express judgment, many, if not most, policy analysts prefer to perform “positive” analyses of farm programs—that is, to avoid the exercising and expressing of judgments on significant policy reform questions. Even agricultural

policy economists strongly supportive of the market in agriculture frequently do not state that they favor elimination of interventionist programs in agriculture, even in the case of such blatant infringements on economic freedom as the government-privileged tobacco and peanut cartels.

There is a difference of opinion concerning the extent to which an economist should maintain the diffidence of “positive economics” when analyzing policy issues. Some economists, touting “positive science,” may limit their study to the effects of the current programs—without mentioning that the programs waste resources, increase prices, restrict economic freedom, and therefore are undesirable.

Coase, however, suggests that once the effect of an egregious government policy is established, there is no good reason for economists not to say that the policy is undesirable:

Thus, we (in positive analysis) can say that certain agricultural policies (say collectivization) will lead to widespread starvation, but we cannot say whether collectivization is or is not desirable. Such restraint is I think unnecessary. . . . [I]t hardly matters, once it is established that a certain policy will lead to widespread starvation, whether we add that the policy would be undesirable, although to refrain from doing so on principle seems like an affectation (Coase [1975], 33-34).

The harmful effects of government programs, of course, generally are not as obvious or dramatic as they are in Coase’s example, so there is seldom a consensus on the policy at issue. However, the ninnyism of “positive economics” deliberately neglects an opportunity to strike a vital blow against government sponsored, and government-monitored, cartels. Edwin Cannan suggested that the pretension of economists to know nothing of good and bad ends has dire consequences for the profession. To cite Cannan’s example: If people ask an economist whether a change will be good or bad and the professor can only talk about the costs and benefits of different ways of obtaining a given end, the people merely “will find the economist tiresome.” In this case, said Cannan, the individual “wanted bread and the professor has given him a stone” (quoted in Hutt [1936], 64).

There is yet another potential problem in maintaining a strict judgment-free approach. In limiting the analysis to the effects of actual changes in current government programs, the researcher omits consideration of an

alternative institutional arrangement that may improve human welfare more than the change or changes in policy actually studied (Pasour 1993).

The book *Sustainable Development in Agriculture* provides a good illustration (Parikh 1988). It reports on a project designed to alleviate world food problems and to prevent future ones. Written in 1988, before the fall of the Soviet Union, the book presents the results of seven case studies of both market and centrally planned economies—including the Soviet Union. The authors agreed that attention be paid to resources, technology, and environmental consequences. But there was no recognition, in any of the studies, of the importance of the type of political and economic system—or of the link between the method used to coordinate economic activity and agricultural output. The optimal control model developed for the Soviet Union, for example, considered only physical factors of production, completely ignoring the knowledge and incentive problems associated with central planning. Not surprising, increases in agricultural output were found to hinge on changing technologies (such as new drought-resistant varieties of wheat). The importance of the institutional arrangement was clearly demonstrated by the food production on “private plots” in the Soviet Union and by the huge increase in agricultural output associated with the limited privatization policies in China. But the authors ignored these facts.

The foregoing is consistent with Philbrook’s example of analysts who implicitly defend the status quo by supporting farm products at, say, ninety instead of ninety-five percent of parity because the lower level of intervention is considered to be politically achievable (Philbrook [1953]). That is, the policy economist cooperates with things as they are, rather than explicitly criticize bad public policy. The alternative, of course, is to recommend major policy reform—in this case, abolition of farm price supports. In short, “Philbrook’s article is aimed at applied economists who pull punches with status-quo policies, in the name of ‘positive analysis,’ ‘realism,’ ‘science,’ etc” (Klein 1999, 22).

In conducting “positive economics,” researchers often proceed on policy judgments tacit and inchoate. One example is the failure to acknowledge government imperfection. In analyzing an externality, researchers may consider the effects of Pigouvian taxes or other government programs to cope with “market failure.” However, few studies take into consideration analogous problems that arise when governments intervene in markets. The problem of government imperfection is implicitly deemed to be less severe than the market imperfection supposedly remedied.

Consider, for example, a recently published analysis of the optimal Pigouvian tax when development of peat land for agricultural production

results in groundwater and surface water pollution. Ostensibly, the author engages in positive analysis. Yet, the bias in favor of intervention is inherent in the proposed approach for the development of peat land: “Now, we are able to state the optimal control problem for the social planner” (Goetz 1997, 229). This approach—central planning—assumes away the knowledge and incentive problems inherent in government planning. There is no recognition or estimation of the costs in productivity or human freedom associated with central direction. Instead, there is an implicit assumption that the costs associated with government planning are less than the benefits from the policy proposed to cope with the pollution problem. A similar criticism can be leveled at most studies purporting to determine the “optimal tax” to internalize externalities. They fail to take into account government imperfection—the problems and costs of policies designed to cope with spillover problems.

The failure to compare the costs of government and market imperfections is not limited to studies of externalities. It is inherent in all studies proposing government programs to cope with “market failure” problems—including market power, public goods, imperfect information, and distribution of income. In studies of a market imperfection, most analysts implicitly assume that the benefits of the proposed governmental policy to correct a market flaw outweigh the deadweight costs and infringements on individual freedom inherent in the intervention.

CONCLUSIONS

Looking back over my 40 years as an agricultural economist, I am pleased that there has been some movement toward liberalization, but that satisfaction is outweighed by the disappointment in the role played by agricultural economists in providing a rationale for government intervention in agriculture. Agricultural economists have a long legacy of supporting restrictions on competition in the production and marketing of farm products.¹⁸

¹⁸ Over the years, however, there have been a number of general presentations of agricultural policy by agricultural economists in monographs published by free market groups. These include: (Johnson 1974), (Borcharding 1981), (Gardner 1981), (Baden 1984), (Kahl 1985), (Luttrell 1989), (Pasour 1990), (Sumner 1995), (Gardner 1995), (Goklany 2000), and (Anderson and Yandle 2001).

Indeed, they played key roles in the development and administration of agricultural cartels in the New Deal. Although agricultural economists have increasingly criticized government farm programs, particularly price support and income subsidy programs, during the past half-century, there remains significant, explicit support for government intervention in agriculture.

The extent to which agricultural policy economists express judgment in favor of liberalization is influenced by a number of factors, including the mode of funding agricultural policy research. Funding by the United States Department of Agriculture gives government farm programs a larger effect on the work agenda of agricultural economists than government programs do in most other economic disciplines. There is evidence that the funding arrangement influences both the views of policy economists and the extent to which they express judgment about government farm programs.

There are two reasons for this impact. First, government farm programs over the years have provided a fertile field of job opportunities for agricultural economists. Second, and closely related, the funding arrangement for agricultural economists in the USDA land-grant university complex gives policy analysts an incentive not to question the appropriateness of the government programs they are analyzing. The implication is most obvious in the case of policy research within the Department of Agriculture. The review and publication process discourages research that is inconsistent with the policies of the current administration.

Although federal government funding is a less significant source of financial support for policy research in land-grant universities than it is within the USDA, political pressure from state and local farm commodity groups militates heavily against criticism of government farm programs there, too. These groups expect research and extension personnel to support government programs for their products. They often exert pressure on college officials and agricultural policy analysts who propose policy liberalization.

Many, if not most, agricultural policy economists today are fairly market oriented—at least in their view of farm commodity programs. Despite their incentives not to “rock the boat,” more market-oriented analysts often recommend liberalization of price supports and other “government stabilization programs.” Still, even free-market-oriented agricultural policy economists frequently fail to express judgment when analyzing government-enforced commodity cartels in agriculture. The mode of funding reinforces the incentive that many market-oriented agricultural policy economists have to withhold judgment by relying on “positive” analysis. Moreover, explicit support for farm commodity programs is strong among a small group of agricultural economists with a populist bent, who

contend that the market will not satisfactorily coordinate the production and marketing of farm commodities.

Even those policy economists overtly critical of farm commodity programs often support a substantial role for government in other areas, including conservation, research and extension, subsidized credit, subsidized food, and tax preferences. They may even explicitly express judgment *against* liberalization of current policy for these programs, most notably for subsidized agricultural research. Judgment frequently is expressed also for government programs to cope with public goods, externalities, and other “market failures.” In addition, agricultural economists also often tacitly support non-commodity programs by ignoring them in policy analysis.

In short, the extent to which agricultural policy economists explicitly express judgment in favor of liberalization is limited. While many policy economists criticize current farm commodity programs, a vocal minority defends the programs, and many agricultural economists provide substantial support for non-commodity farm programs. Much of this support can be traced to the approach used in the analysis of “market failures” in agriculture. Problems inherent in interventionism—government imperfection—almost never receive the same degree of analytical scrutiny as the market imperfection.

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