

Tweeten vs. Tweeten

Farm Policy Analysis By Luther Tweeten Boulder, CO Westview Press, 1989, 399 pages, \$48.50

Reviewed by Lloyd D. Teigen

A lot can change in 10 years. Tweeten's views of farm policy sure have. At least, that's my reading of the differences between his latest text and the *Foundations* he published in 1979. I'm not sure it's for the better.

Promotional material asserts that *Farm Policy Analysis* is "a completely new look at the problems of farming in the United States today," although it was originally intended as the third edition of his *Foundations of Farm Policy*. Sixteen chapters and 567 pages were reduced to 12 chapters and 399 pages in the revision. Four chapters in the *Foundations* were eliminated and four others combined into two for the current text. Two new chapters were introduced in the 1989 work.

New are chapters on "Environmental and Natural Resources" and "Poverty, Human Resources, and Rural Development." Gone are "Food and Nutrition," "Farm Organizations and Protest," "Economic History of American Agriculture: Attitudes, Institutions, and Technology," and "Economic History of American Agriculture: Interpretation and Evaluation." Chapters on goals and values for farm policy from a rural perspective and from an urban-industrial perspective are combined into a chapter on "Values, Beliefs, and Politics." "Agribusiness Conduct, Structure, and Performance" combines two chapters on market structure for purchased inputs and for farm products with new material on commodity futures markets. A glossary of agricultural policy terms is new to the 1989 book, and the appendix deriving utility measures from industry demand and supply was dropped from the 1979 text. "Public Welfare and Economic Efficiency" was renamed "Public Welfare and Economic Science."

This work deprives policy students of the context, motivation, and history of the programs affecting agriculture. I think that's a real loss. Perhaps the past is irrelevant to policy directed at removing Government from agriculture. But, even that requires knowing what values are being represented by which interest groups in order to neutralize their opposition.

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Tweeten recognizes the disengagement of Government from farm policy, and economic policy generally, when he states (p. 32), "An important principle of policy analysis is that *the presence of an economic problem is not sufficient justification for public intervention* (his emphasis). It is necessary to show that the social costs of public intervention are less than the social costs of the market failures or other problems the public programs attempt to address." But, the role played by budget reform and deficit reduction legislation in this policy redirection is not discussed in his text.

Tweeten's greatest turnabout reflects his thinking on resource returns in farming. The chapter title in 1979 was "Farm Problems: Low Resource Returns," but it's "Explaining Alleged Chronic Low Returns" in the current book. His 1989 summary reads:

Neither theory nor empirical evidence supports the hypotheses that commercial farms are chronically predestined to earn low returns in farming in the absence of government intervention. The farming industry demonstrates substantial resiliency in adapting to the uncertain environment in which it operates. This is not to deny that even well-managed commercial farms do not receive low incomes, low rates of return, and capital losses some years, and sometimes for several years. (p. 129)

Contrast that with his 1979 summary:

Data presented in this chapter document the prevalence of low rates of return on farm resources. These are symptoms of a more basic problem of excess resources. And excess resources are a symptom of an even more basic problem--the lack of resource mobility. (p. 197)

Tweeten's 1989 conclusion has been evident for more than 40 years to analysts examining the distribution of income within the sector. The ratio of total income in the farm sector to the number of places that have or normally would have had \$1,000 or more gross sales is terribly misleading. Policy based on sectoral-average income per farm is bad policy.

Trade liberalization and market volatility illustrate other changes in Tweeten's viewpoint. Luther subscribes to Schuh's 1976 observation that greater integration of world trade and financial markets makes the U.S. farm and nonfarm economy sensitive

to foreign events (p 167) He also argues that broad-scale trade liberalization would dampen price movement throughout the world by increasing the price elasticity of demand (p 159) In 1979, Tweeten said that free trade "could double the price elasticity of demand for U S exports" (p 231), while in the 1989 text, free trade merely "would raise the price elasticity" His 1989 text criticizes the tendencies of the European Community to export its production instability, while the 1979 text said nothing about EC trade After all, they were still buying U S grain at that time Tweeten's assessment of the likelihood of trade liberalization is reflected by the elimination of

But in view of vested interest in protectionist policies, it would be naive to conclude that trade liberalization, however attractive to economists, will soon dampen price volatility in world markets for farm products (1979, p 231)

Tweeten makes widespread use of ERS descriptive and analytical reports in his discussion, and praises the agency (p 94) "the most comprehensive objective information from government comes from the Economic Research Service, USDA, in the executive branch Land-grant universities, of course, also contribute in a major way" But, his sources are not consistently cited He mentions PEST activities on p. 51 without citing Rausser as originator of the concept He footnotes (Johnson, 1987) on p 37 without including the work in his references His figure 1.1 depicts commodity and multifactor terms of trade, which represent two-thirds of a figure in an uncited agricultural information bulletin on parity

He does cite my larger report on parity in his short history of commodity programs, and defines parity prices in this glossary with better precision than the definition in the *Fact Book of U S Agriculture* But, Tweeten makes a factual error when he notes that the "specific concept of parity price was used for the first time in legislation" in the Agricultural Adjustment Act of 1938 (p 327) Parity prices were defined in the 1933 Agricultural Act In fact, his discussion of support levels under the 1933 Act quotes corn at 60 percent of parity and cotton at 69 percent of parity (p 325) The erroneous text did not appear in his 1979 book, and was probably intended for insertion in his discussion of the 1933 Act but escaped his editor's eye

The additions and deletions to the opening of his chapter on "Commodity Programs A Short History" illustrate the editorial gains and losses between the

1979 and 1989 texts Added in the 1989 text (p 323) was

A historical review and calculations of agricultural price parity are found in Teigen (1987)

Deleted from the 1979 text (p 456) was

The chapter deals primarily with programs of the federal government to alleviate commercial farm problems described at some length earlier Federal programs to alleviate problems of rural poverty are described elsewhere (Tweeten and Brinkman, 1976) An account of the excitement and drama of political infighting is sacrificed in the interest of brevity in the following pages This is unfortunate, and the reader is encouraged to read such able presentations as *Pressures and Protest* (Hadwiger and Talbot, 1965) and *The Policy Process in American Agriculture* (Talbot and Hadwiger, 1969)

I'm pleased with his citation, but feel its wording is clumsy and not nearly as fluid as that excised from the 1979 text Other similar examples could also be found Generally, I found the aesthetic appearance of the 1979 text and its artwork more pleasing than that in the 1989 book

I expected much from Luther's new text for many reasons, but I was somewhat disappointed The bottom line is that I would use his 1979 *Foundations*, rather than the current text, if I were teaching a course in agricultural policy I don't think policy can be understood absent the context in which it arose or evolves I think Tweeten erred by eliminating the contextual material

References

Rausser, Gordon C "Political Economic Markets PERTs and PESTs in Food and Agriculture," *American Journal of Agricultural Economics* Vol 64, No 5, Dec 1982, pp 821-33

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Tweeten, Luther G *Foundations of Farm Policy* Second edition Lincoln University of Nebraska Press, 1979