Notre Dame Journal of Law, Ethics & Public Policy

Volume 3
Issue 1 *Symposium on Agriculture*

Article 1

1-1-2012

Foreword

G. Edward Schuh

FOREWORD

G. EDWARD SCHUH*

This symposium on agriculture addresses some of the important issues facing farmers and other citizens in the United States. I would like to add to this discussion in three ways. First, I want to comment briefly on the changed international setting in which agriculture finds itself. Second, I want to comment on some of the policy and ethical issues raised by these papers. Finally, I will note some important international trade issues which are not addressed in these pages, but which I believe merit examination.

I. THE CHANGED INTERNATIONAL SETTING OF AGRICULTURE

Much of the frustration and confusion our citizens and political leaders face today in thinking about public policy towards agriculture is a result of the changed setting of agriculture. In the past we could think about the United States and its agricultural sector as essentially a closed economy. There were very few international ramifications of our policies, and, in the same way, what other countries did had little impact upon our economy.

That felicitous situation no longer prevails. The persistent growth in international trade, and its acceleration in the 1970s, has given us an economy that is far more open to international forces. This means that our economy is increasingly beyond the reach of domestic economic policies. It also means that economic policies in other countries have an increasingly important impact on our economy. These international influences have given rise to a seeming loss of control over our own fate and created perplexity and fears of conspiracy. Perhaps more importantly, our new place in an international economy raises important moral and ethical questions, for the consequences of our actions now go far beyond our own body politic.

Another factor complicating the lives of American farmers is that monetary and fiscal policies, both in this and in

* Director, Agriculture and Rural Development, The World Bank, Washington, D.C. The views expressed herein are the author's alone and in no way should be construed as official views of the World Bank.

other countries, now have an inordinate effect on their prosperity and welfare. This has occurred after decades during which monetary and fiscal policies had very little effect on American farmers.

These new factors in commodity markets are the consequence of the shift to a bloc-floating exchange rate system in 1973, and the emergence over the last 25 years of an enormous international capital market. Capital flow among countries, driven by changes in monetary and fiscal policies, now drives the foreign exchange markets, and as U.S. farmers have learned from the experience of the 1970s and 1980s, the value of the dollar in foreign exchange markets has a great deal to do with the prices they receive and the income they earn from their resources.

These international developments provide a much broader scope for the consideration of food and agricultural policies than in the past. They also expand the context in which ethical and distributional issues arise and complicate the consideration of such issues because of the different sets of values brought into play when considering the international scene.

II. Comments on Some Issues Raised in the Papers

Clearly, the papers contained in this symposium cover a wide array of public policy and ethical issues. The choice of policies to sustain the income of farmers, discussed so ably by Senator Boschwitz, has been the subject of debate for some fifty years. The faith reflected in the two papers by the farmers (Jameson and Bauer) that there will be a better day in the future is also of long standing. Archbishop Strecker shares with us the Catholic Church's perspective on its role in dealing with the agricultural crisis, while Sheil and Graykoski review survival strategies for farmers.

The moral consequences of new technology and technological change have not in the past received the public debate or the analytical attention by economists and others they have deserved. It is interesting and important that the emergence of biotechnology has brought these issues to the fore in public policy debates. The Kimbrell-Rifkin and Withers-Kenworthy papers provide contrasting perspectives on these issues and allow the reader to sort them out in his or her own mind. Madden and Thompson provide an excellent synthesis of the analytical issues one needs to consider in addressing these problems, as well as an analysis of the ethical issues that arise from different moral perspectives.

Finally, the issue of famine is addressed by McPherson and Amare. This issue had practically disappeared as a public policy issue for many years. Interestingly enough, it has surfaced not because the world is technically incapable of feeding its population, but because governments hide the truth from the international community until it is too late to avoid the damage and loss of life caused by malnutrition.

Senator Boschwitz makes some very perceptive comments in analyzing the mandatory supply control legislation sponsored by Senator Harkin. It is worth emphasizing that only farmers would vote in the proposed referendum that would determine whether to go ahead with supply controls. The people who would pay for this program would be the consumers, and as Senator Boschwitz notes, they would pay with a highly regressive tax. Since the bulk of the benefits of this program would go to large farmers—those with a median income significantly above the median income in the United States—we would in effect be taxing the poor to provide income transfers to the rich. Is that really what the citizens of the United States would choose if they were given a legitimate referendum? This country was born out of a concern about taxation without representation, yet that is precisely what Senator Harkin's bill would give us.

There is another issue which should be emphasized. Supply control measures, with high price supports, effectively reduce the rate of economic growth for the nation as a whole. This is most obvious in the case of the resources idled by the program. The resources used in agriculture are also used very inefficiently, thus sacrificing further economic growth and foreign exchange earnings so badly needed to pay for raw materials such as petroleum and to service our foreign debt. If U.S. citizens had a choice, would they really opt for a slower rate of economic growth just to be able to provide income transfers to large and well-to-do farmers?

Archbishop Strecker's paper, concerned also with the plight of the family farm, merits additional comment. The crisis of U.S. agriculture extends far beyond the issue of agribusiness and corporate agriculture, and the issue of farm size has to be understood in the context of the economy as a whole. Farm size has risen in the United States in large part because average per capita income in the economy as a whole has risen. If farm people are to have incomes comparable to those in the nonfarm sector, average farm size must increase.

The forces that create this increase are inexorable, but in a very real sense people have a choice. They can stay in agriculture at a low level of income, or they can shift to other activities and earn a higher income.

Clearly, society could have, and should have, done much more to help these migrants and potential migrants to adjust to their new opportunities. But to freeze old production patterns into place would be to condemn farm people to low incomes and to sacrifice aggregate economic growth for the economy as a whole. The sad irony is that programs to facilitate this adjustment would have both promoted the rate of economic growth and provided a more equitable distribution of income.

On the issue of technological change, not enough attention has been given to the enormous increase in life expectancy new technology has made possible around the world. In many developing countries, for example, new medical and other technology has resulted in a doubling of life expectancy in the years since the end of World War II. It is difficult to quantify the enormous benefits this advance represents.

Finally, environmental issues in the developing countries have in recent years come high on the agenda of the Congress and environmental groups in the United States. Although these concerns are legitimate, if we are to devise proper policies more attention must be given to the underlying economic forces that give rise to environmental neglect. The important point is that for a variety of reasons the real interest rate or time discount factor is significantly higher in developing countries than in developed countries. This causes developing countries to have a short-term bias in their economic policies, and to discount longer-term environmental issues.[1] Thus, environmental questions become *international* issues, which should be addressed with international resources.

III. Some Additional Issues

In addition to the policy and ethical issues raised in this Symposium, there are a number of important international trade issues that arise as a consequence of the changed economic setting in which agriculture finds itself. The policy,

1. For more detail on this issue, see Schuh, "Some Thoughts on Economic Development, Sustainability and The Environment." Presented at the World Bank's Seventh Agriculture Sector Symposium, January 8-9, 1987.

distributional, and ethical issues that arise in this larger context are increasingly important. I will discuss just a few of these to indicate their importance.

First, as a consequence of farm programs that have priced their commodities increasingly out of international markets, the United States and the European Community now find themselves engaged in a costly export subsidy war. This war has driven the prices of some important traded commodities, such as wheat, maize, and rice, far below what they would otherwise be. Neither side seems to realize that the real losers in war are the producers of such commodities in the developing countries and the developing countries as a whole because of their lost foreign exchange earnings—earnings badly needed to service their debt and to finance their economic growth.

U.S. citizens seem virtually oblivious to the unintended consequences of these policies. Another sad irony is that the United States government lectures these countries to get their economic houses in order and to strengthen their export sectors so that they can earn their own way in the world, only to have their efforts to do this wiped out by policies of the same government that is lecturing them so severely. The issue again is whether U.S. citizens would knowingly want their hard-earned tax dollars used for this purpose.

A similar set of issues arises relative to U.S. fiscal and monetary policies. The large budget deficit and the very low savings rate in the United States have caused the United States to borrow huge sums of capital from abroad. This capital has been pulled away from the low-income developing countries who desperately need it if they are to grow at a sufficient rate to improve their standards of living.

These wounds are not only inflicted on other countries. The United States in the short period of 18 months has shifted from being a net creditor to being a net debtor, with that debt quickly becoming double that of its nearest competitor, Brazil, and growing rapidly. In the future the United States will have to settle for a lower per capita income in order to service and repay that debt. Agriculture will benefit as a consequence of that need, since the dollar will have to fall to bring about the proper trade flows, but the United States as a whole will have lower per capita incomes for its future generations.

The new international system, with its bloc-floating exchange rates and huge international capital markets, also has very important implications for the international distribution of income. When the value of the dollar falls in foreign exchange markets, U.S. citizens are not the only ones affected. For example, farmers in other countries suffer increased losses as producers in the United States become more competitive. Such shifts in income distribution are a natural part of a market economy, but when the shifts come about as a consequence of the failure of the United States to properly manage its monetary and fiscal policies, real ethical issues are raised.

Similar issues arise in the international transfer of technology. New production technology is the key to agricultural development, and thus to general economic development, in the low-income developing countries. It has been the policy of the United States throughout most of the post-World War II period to help these countries to develop their capacity to produce new production technology adapted to their local conditions. Recently, however, U.S. farm groups have attacked such programs and caused Congress to put pressure on the U.S. Agency for International Development to cut back on the resources they allocate to such programs.

Such measures are demonstrably counterproductive in most cases, for the developing countries constitute future markets for U.S. exports. Moreover, these countries will not become viable markets unless they develop their agriculture and in turn their economy as a whole. The ethical and distributional issues are again far-reaching. Should we knowingly fail to share our knowledge with the low-income countries, especially when it can be transferred at such a low cost to us? Is it really in our best interests to pursue such policies?

There is a final environmental issue which I believe deserves additional attention. The environmentalists tend to focus all of their attention on natural resources and ignore issues concerning the conservation of human resources. At the same time, the global experience has been that prices of natural resources decline as economic development proceeds, and the price of the time of labor tends to rise. Natural resources become a smaller and smaller component of national GNP, and human capital becomes increasingly important.

While we tend to waste national resources in the process of economic development, we also tend to waste human resources, and probably on a larger scale. Why do we give so little attention to these issues? Economic development has been exceedingly wasteful of human resources in the United States, as labor has been forced to bear most of the adjustment costs and to experience most of the lost income as it adjusts, relocates and searches for new opportunities. This has been especially important as the huge amount of labor has been drained from agriculture and transferred to alternative employment. We could have done a great deal to reduce this waste and to conserve these resources by proper labor adjustment policies and by decentralizing our economic activities.

Concluding Comments

There are two interrelated points I would like to make in closing. The first is to emphasize the damage and harm inflicted on people by misguided economic policies. Administrator McPherson provides graphic detail on one such case in his paper on famine in Ethiopia. But the policies of government after government inflict serious economic hardship on particular groups of their citizens. It is perverse that so little criticism is raised against these governments in either the developed or developing countries.

In the same fashion, we have the know-how and the means to virtually eliminate hunger and malnutrition from the world scene. All we lack is the political will. Our failure to act on this important issue is a critical ethical issue.