

Agricultural Goals as Part of Economic Goals for the Nation

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The attempt in this paper is to help reach a clearer understanding of how to use the concept of goals in your analysis of policy alternatives. It is oriented to the problems in making concepts operational and practical and not to a work of scholarship.

Thus, our first task is to simplify concepts. Two concepts are basic, the concept of goal and the concept of means. In any one context, goals and means can be clearly distinguished. However, neither a goal nor a means is an absolute. What is a goal in one context is a means in another. What is a means in one context is a goal in another. This is always true in the range of goals and means in which we will be working in agricultural policy analysis. So when we talk of goals, we are arbitrary. We could just as well talk of means, or better both, as we will have to do.

Let us illustrate. Many countries have a goal of increasing the production of food grains, wheat or rice. That's a perfectly logical goal. In order to achieve that goal, we may have several means, such as increasing acreage, increasing fertilizer use, increasing the use of good seeds. In another context, these means are also justified and logical goals, and each one of these goals would have its set of means. Now let's look at still another context, in which the goal of increasing food grain production is a means.

Increasing the food grain production could be a means to the goal of increased food for the country, or to the goal of increased foreign exports, or to the goal of increased income to the farmers.

There is then a hierarchy of goals--or a means-ends hierarchy--that Dr. Breimyer spoke about, even though he used a special case of the hierarchy to make a special point. There are several cases of the hierarchy, and there are several points to be made.

Limited Choice of Goals

Although we can distinguish goals and ends in our minds, i.e. conceptually, we cannot distinguish them in practice, even in any one

context. In other words policy goals must always be determined by what is feasible and possible. The United States cannot set a goal of producing all the coffee it consumes. A century ago we could not set a goal of landing on the moon within a decade. These are dramatic examples, but you have them on a minor scale. Many countries cannot educate all their children through the sixth grade, or through the third grade. Many countries cannot become self-sufficient in wheat or beef production. They are limited by means. In any one context the means available will limit your selection of goals.

There is another limitation on goals. What you are doing in policies and programs in your country in 1971 will limit the goals you can hope to accomplish in 1972, certainly, and probably through 1975. This results from what can be thought of as momentum. All the machinery of policy and program is geared to what you are doing now. All of the expectation of producers and others are also adjusted to your present activities. Each of these factors is a strong force in the determining of future goals, i.e. in limiting the goals you can set for yourself.

These two limitations of goals will be important to you. One is the limitation imposed by means. The second is the limitation imposed by present and past. For you there are important implications of these two limitations. Much time and many resources have been wasted in attempts to reach impossible goals or goals that are not feasible. For example, a goal to become self-sufficient in wheat production when it is not feasible **will consume lots of resources and will accomplish little**. Even if a goal is feasible, but the means lacking, you can also waste resources. The goal to produce all domestic needs of fertilizer, for example, could be possible. If capital is lacking, however, you may invest the money in an **ammonia plant and then lack capital to operate it, or lack the capital to build a phosphorus plant, or lack the capital to organize a sales program, in which cases the investment in the ammonia plant yields little**. An educational campaign that builds schools but doesn't have resources for teachers wastes the resources invested in the schools.

Goal Analysis

This leads us to an important guideline. Goals have to be analyzed for their consequences, in much the same way that means have to be analyzed. We cannot live with the concept that goals should be determined largely by value judgments and that means can be subjected to objective analysis. We have just used one example of the need to analyze a goal. Another example is just as important.

Earlier we talked of a goal that many countries have of increasing food grain production, and we pointed out that in another context that goal

was a means for still another goal. The goal of increasing grain production, then, must be analyzed as a means for some other goal. Analysis is largely the comparison of alternatives -- as to costs and likely consequences. If you do not have alternatives, you do not have a policy issue. There are almost always many alternatives. Let us take the case of Colombia.

Colombia has had a goal of increasing the domestic production of wheat, if not reaching total self-sufficiency in wheat production. This goal of increasing wheat production was a means to save foreign exchange, if not to earn it, and measured only against the need for foreign exchange, a peso saved is equal to a peso earned. Relatively this is a costly program. The Country had to invest money in the campaigns to encourage farmers to grow wheat and in addition had to pay high prices for the wheat, almost twice as high as it could have been bought in the world market. What alternatives did Colombia have for improving its foreign trade balance? Within agriculture it had livestock, cacao, and barley, at least. So policy makers had at least four means from which to choose in order to improve the balance of trade. Whichever means was chosen, would have become the goal of policy.

The wheat program has had relatively limited success, in that wheat production has not increased very much and large amounts are still imported. But suppose that the program would have increased production and eliminated imports of wheat. Would it then have been a good policy goal? Not necessarily. Policy makers, who are using resources for the national good, must consider opportunity costs. In other words a policy or program that returns three pesos for each peso invested is a bad policy or program if it is using resources that in another program would return five pesos for every peso spent. The point in this paper is that you must submit your goals to the same kind of analysis as you submit your means.

Political Analysis of Goals

We have been discussing goals in terms of objective economic analysis. Economic analysis is only a part of policy analysis. When you deal in the area of public policy, you are dealing with the entire economy. In almost no case does one political policy have equal effects on all of the groups in an economy. Public policy has to reconcile all of the diverse interests of the groups of an economy into one course of action. Interests of various groups diverge widely. Some divergence will be small. Some divergence is so great as to be directly opposed. Farmers want high food prices, while consumers want low. Landowners

oppose land reform while the landless favor it. One industry wants high protection for itself while its customers would like for it to face serious competition. We simply do not have economic analytical techniques to handle all of the variables in this kind of a question. Sometimes no matter what the economic analysis shows, the political forces are going to prevail.

The point is that policy formation is very closely related to politics. In the Spanish language the same word is used for politics and policy. In English the two words have the same root. The implication of this point is that your goals must be submitted to a political test or a political analysis just the same as they must be submitted to an economic test or economic analysis. When you work in the field of public policy you work in an area of conflict of interest. Any resolution of conflict will displease someone. Almost any interest group will tolerate a degree of displeasure. No interest group will tolerate unlimited displeasure. How much a group will tolerate will depend largely on its political power. Beyond certain limits a displeased group will resort to other forms of power. At present, other forms of power are becoming important forces, almost on a world-wide basis.

In handling the problem of politics in agricultural policy, it is important to place it in the proper perspective. Often the divergence between political and economic is not as great as it seems. Often what is good economics is also relatively good politics. It is my judgment that frequently bad policies are blamed on politics, when the real explanation is that the policy simply had not been analyzed in the first place. Sometimes policies are maintained because they are traditional, or because of momentum, not because they are political. A Secretary of Agriculture in Minas Gerais, Brazil, for example, was faced with financing a program that provided land plowing services to farmers at a price far below cost. He wanted to end it. His advisers told him he couldn't because of the political pressure. Upon very little study, he found that the service was reaching one or two farmers out of a hundred. He knew that perhaps three percent of the farmers was the maximum he could hope to impress positively, because of the program's cost. On the other hand the program could conceivably make the 97 percent who didn't get service politically unfriendly. In this case good economics was good policy.

Every policy issue will have its own political implications as well as its own economic implications. Policy management has to treat each case on its own. Sometimes the political analysis leads to one solution and economic analysis to another. In other situations the economic analysis will reinforce the political analysis, i.e. what is good

economics will also be good politics. In still others a good economic analysis understood by the interest groups will modify the politics. Or in still others, analysis will turn up alternatives that will not be too costly either in economic terms or in political terms. At any rate, economic analysis will help you understand the costs of a policy made essentially on political grounds.

Intuition and Combined Judgments

Objective analysis is an interesting criterion for which to strive, both in political and economic analysis. Chances for reaching it in your career or mine, however, are very small. In the meantime we will rely heavily on intuition and plain judgment, which are very useful. Intuition and judgment involve feeling, combined with experience and the ability to think analytically. When you can involve combined judgment, i.e. judgment of several persons, your chances of coming out with a good answer are fairly good. It depends on your choice of people. We often speak of the "combined judgment of wise men." This type of judgment as well as intuition (intuition implies more feeling) can handle more variables more quickly than any other analytical system we have so far been able to devise. Furthermore, judgment and intuition can improve the data that goes into the analysis. One of our main problems in objective analytical systems is that we simply lack data on all of the variables that need to be included.

Fortunately, we do not have to choose between objective analysis on the one hand and intuition and good judgment on the other. We can rely on the judgment, largely, as we have for so long. The objective analysis can be used in support of intuition and judgment and to improve them. Analysis can frequently provide more information to the people who must make judgments. Perhaps just as important, analytical techniques can state the problem in such way that the judgment and intuition can handle it better. An analytical system, for example, can show the relationships that are relevant, i.e. can ask the right questions. Persons with good judgment can apply judgment better when faced with good questions than they can in the absence of the questions.

Multiple Goals and Means in Conflict

Let us spend some time now in considering an important policy issue facing almost all of the world. This is the twin problem of increasing agricultural production and getting a better distribution of income. In what sense are these goals? And in what sense are they means? In what sense do they conflict? To what extent do they supplement? We can use either one as a goal, or we can use them as twin goals. We

can analyze either as a policy goal in terms of what it would cost and how effective it would be.

Increased agricultural production is almost always a means to something else. It could be a means to better nutrition for the people, a means to increased foreign exchange, and even a means to better income distribution. Better income distribution could be an end to itself, on humanitarian and social grounds. It also could be a means to political stability or a means to improved demand for other products of the economy or a means to an improved society.

There is one central aspect that runs through the problem, the aspect of increased production. In a very high percentage of the cases, increased income must come from increased production, and a better distribution of income comes from increasing income in a sector of the economy. For example, huge segments of the rural population have inadequate incomes, while small segments have very high income. Simply dividing the total income among all of the people will not help very much, and politically it is very difficult to do. Of the two alternatives to better income distribution--dividing up the present total or increasing the total--it is almost always the better alternative to increase the total. You increase the total income by increasing production.

While you must increase production to improve income distribution, you do not have to improve income distribution to increase production. In fact you can get increased production and make the income distribution situation worse, which is the normal course of development. If you are getting increased production by introducing new technology, your risk is great that you will make the income distribution situation worse. If you are getting the increase by increasing land and labor, you may have little effect on income distribution or you could improve it.

How does one analyze this problem?

You calculate costs and consequences. If you want to avoid what Dr. Breimyer calls sub-optimization or undesirable side effects, you must consider all costs. Your analysis has to be in terms of policy and not in terms of firm, i.e., you must use policy economics and not be limited by production economics. What does that mean? It means that public policies have a wide range of costs and consequences and not simply those dealing with an immediate problem.

For example, if you want to increase rice production, what will it cost to try to get the increase in the method most efficient for getting more rice? You can analyze that problem by production economics tools,

as if all rice growers were one firm. If the increased production results in lower prices--and that's one outcome to be expected--what will be the benefit to the consumers? What will be the cost to the producers? What will be the net cost or gain to the economy? When you attempt this kind of analysis, you get beyond simple production economics.

An alternative is to seek increased production, when you need it, from the sector of the agricultural economy with lowest relative incomes. How much would that cost? How feasible is it? Do administrative mechanisms exist to accomplish the increase by low income farmers? Then ask what are the benefits. At what rate will you get the increased production? What impact on the total economy can be expected from an increase of production by the low income producers? Will the demand structure change?

This income-production problem by itself is too complex for us to analyze adequately in this setting, as is the whole problem of goals. My only hope is that some of these concepts will be useful to you. Perhaps they will have more meaning after you have worked through this entire course.