SOME PROPOSITIONS ABOUT THE NATURE OF PUBLIC POLICY

Thomas T. Stout*

The thesis of this brief paper is that much of the current debate in agriculture is part of a larger controversy in which the issues, while not clearly identified, are much more fundamental than the variety of specific difficulties on which they may focus. The problems of the agricultural community in this broader framework are not unlike the focal point of heat and light that appears when a lens held in the hand of a child brings the sun's rays to bear on something interesting. And, as his attention is absorbed by that smoldering spot of light and diverted from the sun and the lens, so do our preoccupations with agriculture distract our attention from bigger things perhaps more deserving of our consideration, particularly if we seek explanations for things we observe.

This paper contains no explanations. It offers only a series of propositions for consideration by those in search of answers and reminded of the sun and the lens. These propositions have much to do with people and less to do with agriculture and thus are not observations of authority so much as they are the remarks of an observer talking out of turn. Exposed to either acceptance or rejection, these propositions are protected only by the precaution that hasty judgments on their merits may permit graver errors in the conclusions than were found in the propositions. Consider the following proposition as both an example and an introduction:

While economic activity is a necessary part of a functioning state or nation, it is a responsibility of our social system to judge, guide and direct the course of economic affairs. The reasonableness of this distinction between the social system and the economic system rests in the observation that the primary concerns of society are the rights of men, while the primary concerns of the economy are the creation of useful goods and services, or wealth, which is more a matter of the rights

*Professor, Department of Agricultural Economics and Rural Sociology, The Ohio State University. The author is indebted for review and comments on portions of this paper to Professors Paul Olscamp, Department of Philosophy, and Bruce Marion, Department of Agricultural Economics and Rural Sociology, The Ohio State University. Also revisions and amendments have been made in response to some general remarks solicited from Professor Harold Breimyer, Department of Agricultural Economics, University of Missouri.
of property. The distinction having been made, this is not to suggest that these two aspects of a functioning state can be separated; it is to observe instead that two sets of interests are interrelated and that however conflicting or incompatible they should become, they cannot be separated. If a common ground of compromise cannot be found then one must yield to the other. Which one will be obliged to yield in these events is a fundamental ingredient in the definition of the state itself. If that definition maintains that the rights of men are paramount, then it is a responsibility of society to counsel the course of economic affairs.

In fulfilling this responsibility, society seeks to apply social principles of right behavior which have emerged as satisfactory codes of conduct in defining the rights of men. Application of these principles causes problems if the growing economy, encompassing new knowledge and technology in the production process, fails to function well or is too confined by time-honored social principles. It then becomes apparent that realization of the full promise of abundant wealth requires the compromise of social principles.

It is characteristic of people and of their states that such compromises of principle constantly are made. The current debate surrounding agriculture is an example of this continuing process. Like the sun's rays, the characteristics of people shine through the lens of their state, converging at focal points of debate and controversy, bathing the spot with light and, at times, with heat.

**Burden to Decide**

The propositions that follow will offer little more than has been suggested already. They merely examine these introductory remarks a bit further, as one might thump some melons -- more as a matter of curiosity about their possibilities than with any real expectation of getting conclusive answers.\(^1\) Some of the possibilities that emerge will seem offensive and ugly, and it will be part of the reader's burden to decide whether they may be dismissed as offensive cynicism or whether they should be acknowledged as ugly realism.

\(^1\) Some textbook jargon appears in spots, but this should be no problem to any reader who keeps in mind a few notions expressed in economic theory. Those aspects of theory which are used in the propositions have been outlined briefly in the appendix.
Principles and institutions

Satisfaction is desire fulfilled. Men exercise their individual capacities in expectations of their fulfillment. It is partly because of their expectation of satisfaction in this regard that men develop states and nations, submitting to social order and suffering restraint on some of their capacities in trade for greater freedom to exercise other capacities, the fulfillment of which they expect to satisfy them more.

Codes of conduct agreed upon to this end, being the arrangements that improve the opportunities for fundamental satisfactions, come to be called good or right. They acquire the status of principles and enjoy such names as ethics or equity. Institutions emerge as guardians of these principles, encouraging their support as matters of honor or morality, or enforcing it as a matter of law. For example, religion and the church encourage certain social principles on moral grounds and advise their support at maximum or optimum levels of conduct. Also, minimum levels of conduct in supporting some of these same principles are prescribed and enforced by the law.

That men will adjust their institutions or amend their principles to enhance the satisfaction of their changing desires is fundamental; it is the source of changes in the social order. Principles and institutions are essential for achieving satisfaction of the collective desires of men. But it is the satisfactions that are paramount, not the principles or institutions.

The worth of social order is measured not by its institutions but by the range of satisfactions it enables men to achieve and by the uniformity with which the opportunities and protections of the state apply to all its members.

If social principles and institutions conflict with the quest for satisfaction, men are confronted with choice between satisfaction and principles. Principles and institutions will yield to collective satisfaction. The determination of social principles follows after the fact of men's desires. What it is that satisfies desires is determined partly by the state of the arts for, as knowledge enlightens men, desires change. Technology, a product of knowledge, therefore threatens the passive acceptance of established principles and institutions. Technological development redefines desire, and satisfaction in time is hampered by principles and constrained by institutions that were established in simpler days by less enlightened men with a different range of desires.
As principles and institutions are amended and redefined, the essential character of the state itself may similarly be amended and redefined. This being rather an evolutionary change, it is not by nature an easily reversible process; amendments and redefinitions, once finalized to the satisfaction of men, are seldom abandoned in favor of the original interpretation. Error may be unfortunately irretrievable. As the growing complexity of the state increases the opportunity for and the consequent cost of error, so does it increase the need for thoughtful consideration in resolving conflicts and amending principles and institutions.

**Society and economy**

As states grow in complexity, and opportunities for satisfaction of men are enhanced through exchange of specialized services, codes of conduct are extended to deal more comprehensively with the creation and distribution of wealth. For example, if men are free to exercise their individual capacities in ways not harmful to the collective interests of others, then they should be free to engage in economic activity in ways not harmful to the interests affected by that activity. In the exchange of things, whether it be labor or capital employed in production, or the sale of products in response to demand, the payment made should be in proportion to the value received.

As new technology is applied to economic activities, the productive capacity of the economy is greatly increased, and the promise of abundant goods and services imposes severe demand for recognition of the needs and requirements of economic affairs. These requirements may not be compatible with old notions such as unlimited opportunity to engage in economic activity. Requirements for capital and technical skills are too demanding, and mere right or desire does not provide the necessary qualifications. Moreover, such demands may become so extreme that barely a few participants possess the necessary qualifications, as in the present manufacture of automobiles, steel, or petroleum products. In such circumstances it is not inconceivable that other old notions, such as the equality of price and values, are also threatened. But if the goods are abundant and price accords with their value in use, concern for old principles brings either their abandonment or a new interpretation and application. For example, concern for the existence of pure profit is replaced by a more realistic concern for the redistribution of pure profit.

It is apparent that the interests and needs of the social system influence the course of economic affairs, but not without regard to the interests and needs of the economy itself. What is less apparent is that the most urgent needs are likely to rest with that part of the state
which is growing or changing most rapidly. If it is the economy that
displays the most rapid rate of change, it is the needs of economy
that are likely to press most urgently for solution.

To the extent that these needs can be equated with social interests,
judgments may be reached which are compatible with economic interests
but conflict with established definitions of social need. For example,
social need may require increased production to overcome scarcity, and
social interest may desire more goods and services. Economic needs for
production methods not wholly compatible with established principles of
 equitable performance may be justified by the social need to overcome
scarcity. But when scarcity is overcome and replaced by abundance,
economic performance can still find acceptance in social interests such
as the continuing desire for goods and services, although scarcity no
longer provides a justification, and abundance conflicts with the de-
finition of social need. 2/

It is reasonable that society, concerned primarily with the rights
of men (which, as a matter of defining the state, are said to be para-
mount), should counsel and direct the course of economic affairs, which
dwell in somewhat greater proportion on the rights of property. And
it is reasonable that society in giving its counsel, should take into
account the needs of economy. What is less reasonable is that the in-
terests of society should be captivated by the needs of economy, per-
mitting the needs of society to be defined by the interests of economy.
For this to be reasonable, some redefinition of the state would seem
to be required. But this is merely a matter of principle and, therefore,
subject to change in a manner suitable to men's pursuit of satisfaction.

Access to wealth

A rather uniform distribution of wealth, or access thereto, appears
to be conducive to social stability. To the extent that acquisitive
desires of men are more evenly satisfied by this arrangement, their
attitudes are more evenly in accord with principles concerning property
rights.

As long as access to wealth and its possession are not denied the
multitude, property rights tend to be considered in terms of possession.
But if access to wealth becomes restricted relative to the collective

2/ This and related considerations are examined in the book by Galbraith,
desire for it, property rights may be seen to accord more nearly with access to wealth rather than with its possession by a fortunate but limited minority.

The occurrence of this process by which private wealth becomes public property is seen in the creation of museums to house cherished artifacts and specimens, and in galleries for the display of artistic achievement. The rightness of public property as opposed to private wealth is proclaimed in the exercise of eminent domain for purposes such as the construction of highways convenient to the public need, or the creation of national parks permitting public access to real estate particularly attractive to the public eye.

It is apparent that in a few years the land in farms in the United States will be owned by perhaps one or two percent of the population, a restless population confined in large part to urban concentration. Perhaps a brisk and continuing market for farmland lies in this growing concentration of urban affluence and urban attitudes. Perhaps the attitudes, rather than the affluence, may be the more accurate indicator of the market's dimensions.

**Right and good**

History reminds us that revolution, land reform, and emergence of a social system occurred in America during a period when classical economic doctrine grew to flourish and when the mark of educated men was accomplished study in the liberal arts. These influences were reflected in architecture, in government, in public policy, and in public attitudes.

A land-holding rural majority, beneficiaries of these influences and finding them compatible with their interests and conducive to their fulfillment, found cause for concern in the industrial growth which shared the times and threatened changes in the social order. As industrial methods outpaced agricultural devices for creation of wealth, the growing industrial giant sought first opportunity and then protection in principles of liberal and classical origin, invoking support for laissez-faire. Agrarian majorities declared that equity, also defined in social scripture, was paramount, and laissez-faire was discarded as ill-considered doctrine for modern times. Legend credits agriculture with preserving social order in trying times. It is more accurate to say that the pursuit of agrarian satisfactions was threatened, and that those interests were protected as a matter of majority will. Principles were amended and institutions were adjusted. Social order was redefined more to the satisfaction of the dominant element, and arrangements in the name of equity were developed to sanctify agrarian desires and
inhibit the growth of antagonistic forces. The majority, being contained in the agrarian culture, held this to be right and good.

Emerging urban majorities in succeeding years, their material welfare more closely aligned with industrial growth, and no longer absorbed by rural concerns, find themselves confined by the ancient rural fundamentalism and question its interpretation of right and good. What is right and good remains the pursuit of satisfaction, but the dimensions of desire are altered.

**Pure or perfect**

The doctrine of equity in exchange is articulated in the conditions of perfect competition, which assures normal profit in continuous equilibrium. The existence of pure profit is, by definition, beyond the bounds of equity. But risk and uncertainty are necessarily denied and therefore uncompensated by normal profit, and the search for pure profit in an uncertain environment is an essential ingredient of economic activity.

The necessity and opportunity for pure profit, as well as the need for laws and policies which define the conditions of the quest for pure profit and its subsequent redistribution, are apparent in the contrast between the hypothetical world of perfect competition and the real world of economic action. The principle demands compromise. Pure competition, while not perfect, is a concession to reality.

Policies to foster the growth and vigor of pure competition emphasize widespread recognition of product characteristics and market conditions in order that prices may be readily determined. Impartial application of grade standards and third party dissemination of market news exemplify such policies. Prices, values and alternatives are well-known by many sellers and buyers. The net effect is a price structure largely immune to manipulation by individual buyers or sellers. By such devices, agriculture, a vulnerable economic power but a dominant social power, won protection from price-depressing abilities of powerful buyers.

But such policies prove in time to be self-defeating. Given changing technology, they will, in time and through the following sequence of events, assure the destruction of that state of economic affairs they were intended to protect. Price resists upward pressure as well as downward pressure. Products are reduced to commodity status, the opportunity for product differentiation is subverted, and the search for pure profit is obliged to focus on cost reductions. Economies of scale are quickly identified, and the systematic destruction of other strategic conditions of pure competition is begun. The process is abetted by technological achievement and encouraged by policies once employed as a protective device by an agricultural majority, but subsequently
employed by an urban majority which found them equally suited to en­
couragement of production of abundant food and fiber. The atomistic
structure crumbles as participants decline in number and freedom of
entry and exit yields to the demanding requirements of capital, tech­
nology and skill.

The emerging structure of agriculture is at once admired and feared
for its incompatibility with the cultural environment. The emerging de­
mands are ill-fitted to an environment ascribing virtue to oral contract,
cash payment, proprietorship, physical labor, family sovereignty, and
a certain acknowledged "right to participate," all embraced by cultural
unity. As contending parties within the culture prepare themselves for
inevitable choice and acceptance of one or the other incompatible alter­
native, the legendary unity of cultural brotherhood is shown to be
illusory. Diverging interests are reflected in the fragmentation of the
"agricultural establishment" as a cohesive social force and coherent
political voice. 3/

Erasing the Identity of Agriculture

The emerging order in agriculture resembles a sterile monopolistic
competition devoid of product differentiation and the power of differ­
ential pricing, elements that are denied by principles long established
and policies well entrenched. Though the free-market prices they en­
gender no longer protect the culture, they impose unacceptable barriers
to those who desire further economic evolution.

As the blind sense a presence in the room, alert men grope for the
opportunity vaguely perceived in the new order of things, and steps are
taken to circumvent and subvert the market pricing mechanism.

Integration occurs, to the satisfaction of contracting parties who
find themselves thus insulated from unpredictable prices that reflect
the whimsies of the world. With great investment and massive volume
committed in specialized endeavors, both parties enjoy the reduced risk
and lengthened planning horizons permitted by their genius. Success
soothes ancient fears in agriculture of price-depressing powers employed
by product buyers.

3/This change and its implications are explored in several papers by
Bonnen, James T., particularly in Present and Prospective Policy
Problems of U.S. Agriculture: As Viewed by An Economist. Journal
A more direct approach occurs to visionary men who propose that upward price pressure results from successful bargaining by producers and that, as surviving cultural adherents, their efforts might be made in the name of cultural preservation. But being astute as well as visionary, they perceive a problem in supply-control and submit for men's consideration their proposals for public aid in this regard. Aid is granted, but extended as a palliative, and without the customary caution applied to drugs with unknown side-effects. The potent quality of the aid lies not in the bargaining rights for which it is prescribed, but in the public acknowledgment of monopolistic competition as a satisfactory and acceptable emerging character for agriculture. By this change in public attitude, old principles are abrogated, and their guardian institutions are abruptly obliged to adjust and serve new principles or dissolve and disappear, having outlived their usefulness. Policies of protection or public aid for agriculture become less viable when the reasons for such policies, reasons such as those to be found in the economic character of agriculture, are automatically abrogated by recognition that the economic basis no longer exists.

A third ingenious possibility stirs in fertile minds provoked to thought by these developments. Complete emergence of monopolistic competition from the unattractive cocoon of pure competition requires product differentiation. Once achieved, disequilibriums are most readily attained and pure profit more easily acquired. But more important, the further evolution to oligopoly, with glowing rewards of pure profit in equilibrium, might quickly be achieved by the obvious expedient of magnifying the demands of capital, technology and management. And these tools are already at hand, awaiting only their vigorous application. The solution is perceived not to require the differentiation of raw products, but only their integration with products already differentiated by manufacturers and processors and related providers of services in the marketing system. The solution is not to change the identity of agriculture, but to erase it. These thoughts occur to men who are obliged by massive enterprise commitments to minimize management error -- men who are thus uniform in their distaste for unmanaged market prices, diligent in their pursuit of pure profit, burdened by the demands of investable funds, and constrained in their actions by anti-trust barriers erected by an earlier agrarian majority.

**Something more for something less**

Alternatives for agriculture, alternatives emerged from policies of power imposed, will be accepted by an urban majority in proportion to their promise of abundance, and with small regard for their impact on
social and cultural structure. We may reasonably imagine that the precepts of agrarian culture are neither understood, nor appreciated, nor desired, nor accepted by an urban public whose pursuit of satisfaction is impeded by what seem to it to be the quaint beliefs of unenlightened rustics.

The industrialization of agriculture offers attractive opportunities that are unlikely to be ignored. Greater abundance at lower cost is offered in exchange for permission already granted in existing antitrust doctrine, to employ capital, technology, and management already at hand in proportions and with a diligence extraordinary for agriculture but not uncommon in industry. The cost to the cultural heritage will not be seriously considered by men whose preoccupations are acutely receptive to the promise of something more for something less. Bargaining will not be accepted so willingly. It threatens something less for something more. Bargaining will be tolerated to the extent that the threat does not materialize. Should the threat materialize, worshipers of abundance themselves will find themselves obliged to re-examine the basis for this unseemly display of agrarian greed. The equity of urban interests will be clarified by men who seek new indulgences for sated appetites.

Thus may the examination focus attention on concentrated land holdings, seen to be a power base for what may be regarded as misguided attempts to bargain with the rights of men. It will be recalled that an even distribution of property was once wisely regarded as an aid to social order. The mis-use of real estate arising from the concentrated holdings of self-seeking proprietors will offend Machiavellian civic spirit. Social order will demand a wiser administration of the public resource. The indulgence of public appetites by access to an expanded public domain would serve as incentive to redefine the social structure.

Social and Economic Compromise

Historically, agriculture has been regarded both as the embodiment of some traditional and prized social institutions and as an economic machine, the performance of which was judged mostly by its ability to

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produce an abundance of food and fiber. Agricultural policy has attempted to foster the goals of each of these parts of agriculture, although they are fundamentally conflicting characteristics. But as both the society and the economy of the nation become more complex, it becomes more difficult to achieve a compromise between the two, and each threatens to advance only at the expense of the other. Increased agricultural productivity strains the institutional framework and undermines its foundations. Preservation of cherished traditions impairs agricultural productivity.

It seems that agriculture, always changing, has arrived at a threshold of revolutionary change that demands fundamental re-appraisals of what agriculture is and what it is supposed to accomplish. But agriculture has not arrived at this position alone; the nation at large finds itself confronted with similar sets of choices in issues that extend beyond the bounds of agriculture. Agriculture is just one of the hinges on which swings a ponderous door of basic issues. Decisions that are made concerning agriculture may provide a measure of the temper of the times, the nature of men's desires and the character of the public will in achieving the satisfaction of those desires.

The debate in agriculture, being a part of the larger controversy, remains one of continuing the difficult search for compromise between social and economic requirements and interests that become increasingly complex and contradictory. But if compromise cannot be achieved and choice between economic and social performance becomes necessary, it is the further burden of the debaters to choose wisely in contributing to the subtle changes in principles and institutions which define the evolution of the state.

Appendix

1. Normal profit is considered to be a normal cost of production, and is regarded as a reward or wage to management which is the skill that organizes and employs labor, capital and land for productive purposes. This is sensible for, barring a normal profit, producers of a product would soon lose interest in its production. A normal profit, in a very competitive situation in which all competitors could readily shift among jobs fitting to their skills, would be equivalent to that income which might also come from such opportunities. But pure profit is additional income beyond all production costs, including normal profit. Pure profit might be realized from exceptional skill, from power to prevent competitors from duplicating the successful methods or products of an enterprise, or from unexpected good fortune. On a very ethical basis, society might expect that pure profit should be equitably distributed among the multitudes in order that all might share
in the skill employed, the luck of the fortunate, or the power which generated pure profit for a few at the expense of many.

Pure profit stands on shaky ethical ground. But the search and quest for pure profit enjoys a solid economic footing because it is the hope of pure profit that encourages producers to undertake uncertain ventures and to accept the risks that accompany them. At the very least, some level of pure profit would seem to be required if for nothing more than to meet the costs of risk and uncertainty.

2. Any form of economic action which would permit pure profit to occur is imperfect competition, so-called because of the ethical considerations surrounding pure profit. All forms of economic activity occur of course under some form of imperfect competition, but different degrees of imperfect competition are identified or given names in terms of the hardship or ease with which pure profit may be gained. Pure competition is the least imperfect; it provides the least opportunity for pure profit. Pure profits arise generally through competitive cost-cutting among many producers of a product. Certain types of agricultural production frequently serve as classroom examples. Monopolistic competition, also engaged in by many competitive participants, provides added opportunities for pure profit through limited opportunities to affect selling prices, largely through insistence by each producer that his offering is in some way unique and not the same as anything offered by his many competitors. Advertising and brand names attempt to accomplish this.

Both pure competition and monopolistic competition share common characteristics such as the presence of many competitive participants who enjoy reasonable freedom to enter and leave the competitive arena as they please, and also the emergence of pure profit as a reward to competitive intelligence or skill displayed in this or that tactical victory. Pure profit is thus an illusory thing which is by no means guaranteed, but something which can be gained or lost according to the comparative skills of the many individual competitors. Power, generally, does not figure prominently among the techniques employed by competitors in their struggle for pure profit.

3. More malignant forms of imperfect competition exist in oligopoly, which is sharing of productive effort by a few dominant producers, and monopoly, wherein a surviving producer or collusive element controls production of a product for which there is no satisfactory substitute. Oligopoly and monopoly share common ground in that pure profit is guaranteed, and that power figures prominently in assuring this outcome. The power itself need not be arbitrarily exercised, as in clumsy collusion or discrimination; the power may reside in the rewards and demands of the production process itself. The automobile industry frequently serves as
an example of oligopoly. The rewards of this industry lie in its incomparable capacity to produce excellent automobiles which, considering their complexity, precision, performance, etc., are made available to consumers at very low prices resulting from massive production complexes producing great numbers of cars. But the demands of this process in terms of capital requirements, technological mastery, specialized labor, etc., are so formidable that only a few competitors possess the necessary qualifications. The power to assure continued pure profit exists in the necessity of a complicated production process dominated by powerful producers who create products for which there is no satisfactory substitute. While they do not receive a pure profit, they also provide a desirable product at a lower price than could be realized by some other alternative.

Pure profit may be incompatible with some ethical considerations. But pure profit may be very compatible with great economic efficiency. Thus, some ethical considerations may be incompatible with economic efficiency.