



FONTANA WORLD ECONOMIC ISSUES

WORLD AGRICULTURE IN DISARRAY

D.Gale Johnson



World Agriculture in Disarray

D. GALE JOHNSON

Professor of Economics, University of Chicago

FONTANA/COLLINS

in association with the

TRADE POLICY RESEARCH CENTRE

London

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The first volume in the Fontana World Economic Issues series, published in association with the Trade Policy Research Centre, London, and edited by Hugh Corbet, Director of the Centre. Forthcoming volumes in the series are provisionally entitled

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First published by Macmillan (hard-cover) and
Fontana (paperback) 1973

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Printed in Great Britain
by Richard Clay (The Chaucer Press) Ltd,
Bungay, Suffolk

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Dedication

To David and Joan and Kay

Biographical Note

D. Gale Johnson, one of the world's leading agricultural economists, has been a Professor of Economics at the University of Chicago since 1954 and was Dean of Social Studies there from 1960 to 1971.

Over the years Professor Johnson has acted as an adviser, in various capacities, to both the executive and legislative branches of the United States Government. In recent years, he was a key member of the Presidential Commission on Food and Fiber and was Agricultural Adviser to President Johnson's Special Representative for Trade Negotiations; and then, in 1971, he was one of the consultants to the Presidential Commission on International Trade and Investment Policy.

Professor Johnson has made numerous major contributions to professional journals and Congressional hearings. He is the author of, among other works, *Trade and Agriculture: a Study of Inconsistent Policies* and *The Struggle against World Hunger*.

Preface

When one writes a policy tract, which is what this book is, one has to accept the risk that actual events may significantly modify the relevant landscape. The accession of the United Kingdom, Denmark, Ireland and Norway to the European Community became more and more probable as work on the manuscript progressed. It was certainly plain that with the four countries preparing to join the European Community the ramifications for the amount, value and direction of international trade would be of major significance to all exporters of farm products. It was difficult to imagine any other outcome when the world's largest importer of agricultural products was preparing to move behind the highly protectionist agricultural trade barriers of the Common Market. The last minute decision of the Norwegian people to abstain from joining the European Community as full members has not affected the analysis in these pages.

No attempt has been made to speculate about the consequences to world trade in agricultural products of the enlargement of the European Community. This was a deliberate exclusion, in part because such studies have been made or are now nearing completion. But the most important reason for not dealing with the subject is that the further enlargement of the European Community would represent only a continuation and extension of past trends in the growth of interferences with trade in agricultural products and the aggregate level of costs imposed upon taxpayers and consumers due to high farm prices and numerous subsidies. In other words, the enlargement of the European Community would not make or create a difference of kind but only of degree. A somewhat larger share of the world's agricultural output would be produced under high-cost conditions and low-cost producers would have lost somewhat more of the potential market.

The basic conflicts between domestic agricultural and trade policies did not originate with the creation of the Common Market nor would they disappear if the Common Market were to be dissolved. With minor exceptions the trade restrictions imposed by the European Community are not much, if any, more restrictive than the average of what prevailed in the member countries before its formation. Nor has the European Community been more protectionist in its farm and trade policies than certain other countries in Western Europe, nor than the United States for several farm products. Attention has been concentrated on the restrictive practices of the European Community primarily because of its great size and importance in world trade, including trade in agricultural products, not so much because its policies are in any way unique. While the enlargement of the European Community would result in an increase in barriers to agricultural trade, the basic arguments of this book have not been reduced in significance but instead take on greater importance.

This book is concerned primarily with the important effects of the farm and trade policies of the industrial countries. It is argued, and I hope persuasively, that the enormous costs that have been imposed upon consumers and taxpayers have contributed almost nothing to an increase in the returns to the human resources engaged in agriculture. Almost all of the income transfers that have been retained in agriculture have gone to increased returns to capital and land and have been capitalized into the value of land. If current farm and trade arrangements are maintained throughout the present decade, the governments of the industrial countries will be faced in 1980 with exactly the same set of problems that are believed to exist in 1972 and, before that, in 1962 or any other recent year. Nothing will have changed, except that costs will have increased and trade barriers will be more restrictive and export subsidies both larger and more pervasive.

The current farm policies of the industrial countries have two major domestic effects, neither being particularly commendable. One is the transfer of income from consumers, including many low-income consumers, to owners of farmland who on the average are not poor. The other is to encourage a higher level of agricultural output than would prevail under a more moderate degree of protection. A large part of the total costs imposed upon consumers and taxpayers is the result of the expansion of farm output under high-cost conditions.

But the greatest defect of the current farm programmes is that their cost is so great, and the values that underlie them are so ingrained, that measures that would be effective in increasing the re-

turns to human resources in agriculture are generally neglected. Farm people are not poor, if they are poor, because of low farm prices. They are poor, if they are, because of inadequate investment in their education and training and because that large fraction of the farm youth in industrial countries who must find their livelihood in non-farm occupations are not adequately prepared for or assisted in the adjustment that economic growth requires that they must make. There are, I am pleased to indicate, some hopeful signs especially in the European Community, in the form of the development of policies designed to assist the transfer of labour out of agriculture for both the young and the elderly. But I see all too little progress in reducing the inequalities that have persisted between the quality and availability of education in rural and urban areas.

Many of the examples given in this study are American. This partly reflects the author's familiarity with farm situations in the United States. To some extent, however, it also reflects the generally acknowledged fact that agricultural economics has become a special field of endeavour in the United States and as a result there are many well-documented studies to draw upon. It is hardly ever the case though that the examples used in the text are untypical of what might be found in other national situations.

I want to express my appreciation to students in my classes at the University of Chicago who have helped me sharpen many of the ideas presented herein. I also find that I have relied heavily upon the research of several former students. As in all that I have done, I owe a great intellectual debt to my long-time colleague, Theodore W. Schultz. There is little in what is contained herein that has not been influenced by our long association. And lastly, I am especially grateful to Alyce Monroe who worked so hard and effectively in typing the manuscript so that I could almost meet the deadline for its delivery to the publisher.

Chicago
Autumn, 1972

D. GALE JOHNSON

Explanatory Notes

Weights and Measures

Unless specifically indicated to the contrary, all specific references to weights and measures are in the metric system. Some of the more important conversions from the system of weights and measures used in the United Kingdom and the United States are:

1 kilogram	= 2.2046 pounds
1 metric ton	= 2,204.6 pounds
1 hectare	= 2.471 acres

Monetary units

Unless specifically indicated to the contrary, all prices or values indicated in dollars refers to the dollar of the United States. Conversions from other currencies have generally been made at the official IMF par values as of the date of the dollar estimate.

Dates

Statistics refer to calendar years unless otherwise indicated. Split years, such as 1967/68, refer to a fiscal or crop year generally beginning sometime between April 1 and October 1. When dates are separated by a hyphen, such as 1962-64, this means the average of the three years 1962, 1963 and 1964.

Abbreviations

The initials below are used in the text to varying degrees:

CAP	Common agricultural policy of the European Community, as distinct from the national agricultural policies of the member countries
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