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**INSTITUTIONS, ORGANIZATIONS AND FOOD SYSTEMS  
PERFORMANCE: OBSERVATIONS FROM OVER THE HILL**

**AN OBSERVATION ON THE U.S. FOOD SYSTEM  
BY A LONG TIME PARTICIPANT**

“TWO TOBACCO COMPANIES AND A COUPLE OF SODA POP MIXERS (COKE AND PEPSI) NOW CONTROL THE GUTS OF FOOD MANUFACTURING, AND PILLSBURY HAS JUST BEEN BOUGHT BY A BRITISH WHISKY MAKER. MY OWN SCENARIO FOR THE FINAL ACT IS FOR A COUPLE OF CLOWNS LIKE CARL ICAHN--OPERATING OUT OF A CELLAR SOMEWHERE IN TAIWAN WITH MONEY FROM THE WISCONSIN TEACHERS PENSION FUND---- TO DO A LEVERAGED BUY OUT OF THE WHOLE KIT AND CABOODLE...I REALLY SEE NO WAY TO STOP THIS THING--TOO MUCH MONEY IN THE WRONG HANDS”

A.C. OSCAR HOFFMAN, LETTER, 1988

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**GENERAL THEME**

INSTITUTIONS AND ORGANIZATIONS ARE INSTRUMENTAL IN DETERMINING ECONOMIC PERFORMANCE. THEIR ROLE IN SHAPING ECONOMIC PERFORMANCE IN MARKET ECONOMIES IS OFTEN NEGLECTED OR MISREPRESENTED IN ACADEMIC AND PRACTICAL POLICY DISCOURSE.

**THE GREAT DIFFERENCES IN PRODUCTION, LEVELS OF LIVING  
AND WEALTH ACROSS TIME, SPACE AND PEOPLE**

BEFORE ABOUT 1650 LIFE EXPECTANCY ABOUT 25 YEARS WORLD WIDE  
BY 1840 ABOUT 40 YEARS IN HIGHER INCOME COUNTRIES  
BY 1934 65 YEARS IN THE U.S. - TODAY, 76 YEARS OR BETTER IN BEST OFF AREAS

PRIOR TO 1800 MOST OF WORLD BELOW THE POOREST COUNTRIES OF TODAY

ESTIMATED GNP PER CAPITA PURCHASING POWER PARITY ADJUSTED 1995  
63 POOREST COUNTRIES WITH 56% OF POPULATION ABOUT \$2000  
51 RICHEST COUNTRIES WITH 16% OF POPULATION ABOUT \$25,000  
12 TIMES DIFFERENCE  
AND HAD ABOUT 70% OF THE MARKET VALUE OF GWP

FORBES REPORT - 200 BILLIONAIRES WORLD WIDE- SOME IN POOR COUNTRIES

BILL GATES \$40 BILLION ASSETS INCREASED ABOUT \$20 BILLION THIS YEAR --  
100 COUNTRIES HAD GNP LESS THAN 20 BILLION IN 1995

EXECUTIVE COMPENSATION  
SEVERAL PAID MORE THAN \$20 MILLION TO QUIT (BECAUSE OF THEIR  
CONTRIBUTIONS????)

**EXPLANATIONS OF GREAT DIFFERENCES**

NATURAL RESOURCES AND HARD WORKING PEOPLE

SAVINGS AND INVESTMENTS IN THE MEANS OF PRODUCTION

SPECIALIZATION AND EXCHANGE

KNOWLEDGE AND TECHNOLOGY

INSTITUTIONS

**“PRIVATE ENTERPRISE MARKET ECONOMY DECLARED THE  
WINNER BUT, WHAT IS IT?????”**

**ROLE OF THE STATE**

**DEFINE AND ENFORCE PROPERTY RIGHTS  
OWNERSHIP OF THE MEANS OF PRODUCTION  
WHAT DOES THE CAPITALIST OWN?**

**ENFORCE CONTRACTS  
WHAT CONTRACTS ARE ALLOWABLE?  
HOW ENFORCED--WHO?**

**PROVIDE A MONETARY SYSTEM (WHICH PROMOTES TRADE AND  
INVESTMENTS)  
IS INFLATION THEFT?  
CAN THE UNEMPLOYED SUE THE FEDERAL RESERVE?**

**PROVIDE PUBLIC GOODS?**

**PROVIDE A SAFETY NET?**

**ROLE OF THE MARKET**

**ALLOCATE RESOURCES AND DISTRIBUTE INCOMES AND WEALTH  
ASSUMING THE STATE PLAYS ITS APPOINTED ROLE.**

**THE MARKET DEALS WITH SOLVED POLITICAL PROBLEMS ABOUT RIGHTS  
TRANSLATES RIGHTS INTO BENEFITS AND COSTS.**

**PREFERENCE ARTICULATION IN POLITICAL SYSTEMS  
RELEVANCE--WHOSE PREFERENCES COUNT?**

JURISDICTIONAL BOUNDARIES  
NOTE GLOBAL ISSUES

**RULES** OF REPRESENTATION  
AGENCY

INTERESTS AND INTEREST GROUPS  
IS DEFINING THE RULES OF THE ECONOMY JUST RENT SEEKING?

FRUSTRATION AND COERCION

FREEDOM AND THE THREE SOVEREIGNTIES  
CITIZEN, WORKER-FACTOR OWNERS, CONSUMER

THE RULES FOR POLITICAL PREFERENCE ARTICULATION ARE INSTRUMENTAL IN  
DEFINING ENTITLEMENTS, COSTS , REVENUES, FACTOR PRICES.....

## ARTICULATION OF PREFERENCES THROUGH MARKETS

COORDINATION OF THE ALLOCATION OF THE MEANS OF PRODUCTION  
CONSISTENT WITH FUTURE DEMAND

PREFERENCES PLUS THE LEVEL AND DISTRIBUTION OF INCOME EQUALS  
 DEMAND

REVENUES ARE COSTS

REVENUES-COSTS ARE A FUNCTION OF RIGHTS. IT'S A DYNAMIC SYSTEM

THE VERTICAL SEQUENCE OF PRODUCTION-CONSUMPTION

INVESTMENTS AND FIXED ASSETS

COORDINATION ACROSS MARKETS AND WITHIN FIRMS

MANAGING SUPPLY TO RECOVER COSTS AND MAKE A PROFIT

### THE PLANNING SECTOR

HOW TO ESCAPE THE DISCIPLINE OF THE MARKET---

PROMOTION, RETAINED EARNINGS, CONTRACTS AND  
AGREEMENTS, POLITICAL INFLUENCE ON MONETARY POLICY-  
AND OTHER RULES OF THE ECONOMY

CONTRACTING SYSTEMS, MARKETING ORDERS, COOPERATIVES,  
 ASSOCIATIONS, BARGAINING, PRICE AND INCOME POLICIES ETC.

PRICES ARE NOT DISCOVERED IN COMPETITIVE AUCTION MARKETS-  
 THEY ARE WORKED OUT IN THE POLITICAL ECONOMIC SYSTEMS

## RIGHTS, CONTRIBUTIONS, REVENUES AND COSTS -WORKING OUT THE SHARES

WHAT WE CAN PRODUCE BY OURSELVES IS VERY LITTLE. OUR CONTRIBUTIONS ARE ALWAYS DEPENDENT ON COMPLEMENTARY INPUTS.

FACTOR PRICES , AND THUS THE DIVISION OF THE VALUE OF OUTPUT, ARE A FUNCTION OF THE INSTITUTIONS OF THE ECONOMY, INITIAL ENDOWMENTS, KNOWLEDGE AND TECHNOLOGY, THE ORGANIZATIONAL STRUCTURE AND SOPS OF FIRMS, SKILLS AND EFFORTS OF PARTICIPANTS, AGGREGATE DEMAND, THE DISTRIBUTION OF PURCHASING POWER, BELIEFS AND ETHICS, AND MORE.

MUCH OF THE PRODUCTIVITY OF AN ECONOMY IS DEPENDENT UPON THE INHERITANCE OF ACCUMULATED KNOWLEDGE, INFRASTRUCTURE AND OTHER MEANS OF PRODUCTION, INCLUDING THE INSTITUTIONS.

THE DECISIONS, SKILLS AND EFFORTS OF PARTICIPANTS ARE COMPLEMENTS WITH THESE INHERITED MEANS OF PRODUCTION.

THERE IS NO WAY OF MEASURING INDIVIDUAL CONTRIBUTIONS TO THE TOTAL REAL OUTPUT OF THE ECONOMY

UNUSED THE ACCUMULATED KNOWLEDGE AND OTHER MEANS OF PRODUCTION PRODUCE NOTHING.

INCENTIVES AND MARKETS ARE VERY IMPORTANT .

## ENTITLEMENTS AND PRODUCTIVITY

DEPRESSION AND WAR.

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CACA VALLEY PROJECT AND THE TRANSITION,

SOUTH AFRICA, CHINA,

REDUCING THE WASTE OF REAL RESOURCES--MATCHING SUPPLY AND DEMAND

**CAN THE MYTH OF PAYMENTS EQUAL CONTRIBUTION  
BE EXPOSED?**

“NO SOCIETY CAN BE STABLE UNLESS THERE IS A CORE OF VALUE-JUDGMENTS THAT ARE UNTHINKINGLY ACCEPTED BY THE GREAT BULK OF ITS MEMBERS. SOME KEY INSTITUTIONS MUST BE ACCEPTED AS ‘ABSOLUTES’, NOT SIMPLY AS INSTRUMENTAL. I BELIEVE THAT PAYMENT IN ACCORDANCE WITH PRODUCT HAS BEEN, AND IN LARGE MEASURE, STILL IS, ONE OF THESE ACCEPTED VALUE JUDGMENTS OR INSTITUTIONS.”

MILTON FRIEDMAN  
CAPITALISM AND FREEDOM 1962

WELFARE PAYMENTS ARE TRANSFERS FROM THE DESERVING TO THE UNDESERVING.

IMPLIED BY MANY POLITICAL SPEECHES

ON THE UPS STRIKE. THE PRESIDENT SHOULD NOT INTERVENE. WAGES AND TERMS OF EMPLOYMENT SHOULD BE WORKED OUT BY THE WORKERS AND EMPLOYERS WITH OUT GOVERNMENT INTERFERENCE.

SECRETARY OF THE TREASURY

THE 200 BILLIONAIRES

DISTORTIONS FROM WHAT????



## UP FOR DISCUSSION

1. WHAT IS THE ROLE OF ECONOMICS AND APPLIED ECONOMISTS IN WORKING OUT ENTITLEMENTS AND THE OTHER RULES FOR AN ECONOMY?
2. INSTITUTING MEANS OF ENTITLING SPECIFIC MEANS OF PRODUCTION TO CITIZENS AS A SHARE OF THEIR INHERITANCE FROM THE ANCESTORS FOR SPECIFIC PROGRAMS AS UNIVERSAL WAGE SUPPLEMENT  
EDUCATION GRANTS AS GI BILL,
3. WORKER COLLECTIVE BARGAINING--STRIKES WITHOUT THIRD PARTY COSTS
4. FARMER COLLECTIVE BARGAINING WITH AND WITHOUT EXCLUSIVE AGENCY BARGAINING MI. ACT
5. FORWARD DELIVERABLE CONTRACTS WITH FULL PARTICIPATION
6. COMBINING CONTRACTING AND FARMER BARGAINING
7. NEW GENERATION COOPERATIVES AND THE COORDINATION PROBLEM
8. MARKETING ORDERS  
QUALITY REPUTATION  
SUPPLY MANAGEMENT
9. COMMODITY ASSOCIATIONS AND PLANNING STRATEGIES- UNEXPLOITED ECONOMIC OPPORTUNITIES ETC.
10. COLLECTIVE ACTION AND RAIL TRANSPORTATION--SHIPPING ASSOCIATIONS
11. PROMOTING THE TRANSFORMATION FROM LOW INCOME AGRICULTURE
12. COMPETITION--ANTI-TRUST
13. RESEARCH AND EXTENSION
14. TEACHING--AEC 800 ETC.
15. IMPLICATIONS OF GLOBALIZATION--JURISDICTIONAL PROBLEMS