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1-10-2007

Let's Be Practical: A New Integration in the Approach to Economic Policy

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LYNNE, GARY D. Prof, "Let's Be Practical: A New Integration in the Approach to Economic Policy" (2007). *Cornhusker Economics*. Paper 299.

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CORNHUSKER ECONOMICS

Let's Be Practical: A New Integration in the Approach to Economic Policy

Market Report	Yr Ago	4 Wks Ago	1/5/07
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$92.66	\$86.35	\$87.69
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	140.88	114.74	115.28
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	118.08	105.31	*
Choice Boxed Beef, 600-750 lb. Carcass	155.58	142.53	146.26
Western Corn Belt Base Hog Price Carcass, Negotiated	57.56	60.91	56.03
Feeder Pigs, National Direct 45 lbs, FOB	72.50	54.81	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	65.31	65.83	63.37
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	81.00	*	*
National Carcass Lamb Cutout, FOB	236.02	254.27	247.67
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu	*	4.48	4.25
Corn, No. 2, Yellow Omaha, bu	1.90	3.33	3.36
Soybeans, No. 1, Yellow Omaha, bu	5.73	6.23	6.33
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.96	5.30	5.57
Oats, No. 2, Heavy Minneapolis, MN, bu	2.15	2.73	2.75
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	130.00	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	87.50	87.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	52.50	82.50	82.50
* No market.			

Both the Nebraska Unicameral and the U.S. Congress are just now coming back into session with many new faces, in Nebraska due to the term limit law showing its impact, and with a shift in the power structure in Washington. With all this change, and the many substantive policy issues facing these entities, from the farm bill to the war in Iraq, along with the wide array of environmental, ecosystem and natural resource (e.g. global warming, renewable energy, water and biodiversity) issues, as well as the always present set of social issues (e.g. the minimum wage), perhaps it is a good time to ponder and reconsider just what we mean by “policy” and especially by “policy change.” A recent book by Daniel W. Bromley (2006), an internationally recognized institutional (and behavioral) economist, gives a new understanding about what our representatives in both the Unicameral and the Congress are trying to do, and what the policy process is about. Bromley sees not only legislative activity, but also the on-going influences on policy in the courts, such as the court action brought against Nebraska’s corporate farming amendment. He also sees policy being affected by the actions of a variety of agencies, e.g., the Nebraska Department of Natural Resources having an influence on state water policy and the U.S. Department of Agriculture on national farm policy.

Perhaps most importantly, he points out how we need a new way of thinking about the reasons for policy, and the practical need to continually be changing and refining it. He contends that economic life, the policy process included, actually all of life, is practically speaking about “incessant doing.” He reminds us that policy change is an inherent part of this “doing” and the engine as it were, for a viable, democratic market economy, a market economy built upon the foundation of democratic principles, which includes being able to be freely practical (Bromley’s volitional pragmatism, in the simplest terms). He also

reminds us that policy change is inherently about changes in the institutions (norms and traditions, working rules of organizations and property relations), especially the rights and duties in the private property institution. Private property in a democratic market economy is awarded to individuals because it serves the greater good, which is the lesson taught and learned in democracy-based capitalism. We are all better off for having well-defined, enforced individual private property rights, as long as those holding the rights realize they also have a responsibility to do the right thing by the larger society who has awarded and sanctioned those rights in the first place. So, as Bromley clarifies, policy change is largely about continual change and evolution in the property relations, giving new duties to some and awarding new opportunities to others as we move through time.

What stirs this change? In a word, Bromley argues, “irritation.” So, Kansas water users become irritated when they believe not enough water is crossing the border from Nebraska. A surface water user becomes irritated when upstream irrigation wells are heavily pumped along the river or creek. Pacific islander’s become irritated when they experience damage from sea level rises, and insurance company representatives (and insurance buyers whose rates are increasing) become irritated when storm intensities increase their payments for damages, as driven by global warming. Minimum wage earners become irritated when the rate has not been increased for several years. Operators and supporters of small family farm operations become irritated when the largest proportion of payments consumers make through their taxes for the services provided by agriculture (inexpensive food, higher quality natural environment) go to the large (even if family run) operations. Farmers become irritated when these payments for services rendered are referred to as subsidies, wanting instead to shift the policy conversation to a discussion about consumers paying for these services, rather than how they pay for them. Consumers become irritated because they want to reduce what they see as a farm subsidy, which upon reflection in new policy conversation makes them realize they really are just buying services, and services come at a price. We perhaps now can start to catch the flavor of this more integrative, Bromley-way... and more generally, the institutional and behavioral economic way... of thinking about economic policy.

From whence does this irritation arise? It mainly arises from seeing the present in terms of the future, rather than seeing the future in terms of the present. The latter is all about discounting the future; the former is all about creating a new future, with shifts in opportunities as well as duties. In what I refer to as seeing the world in “metaeconomic” terms (<http://metaeconomics.unl.edu>), we imagine ourselves in the state of others, “walk-in-their-shoes” and ask “how would I want to be treated in that

situation,” and then act accordingly. We act with empathy, not with sympathy or compassion, but rather based upon an imagined state of ourselves being in the situation we are considering. So, we imagine ourselves as Kansas water users; as farmers providing inexpensive food and environmental services, and as consumers buying those services; in the situation of low wage earners; and living on a Pacific island. We might even imagine ourselves as an Arctic Polar Bear, experiencing ever less ice (or, if we cannot go that far, imagine ourselves in the state of unborn children who now have to think of Santa Claus operating on a large ship at the now liquid North Pole)! We act... conditioning our self-interest... accordingly, with changes in policy being a main result.

Irritation also arises out of our natural curiosity for understanding what is going on now, e.g. we notice weather changes, using both scientific and not so scientific observations, and look for the reason. This leads to new inquiries, new conversations about reasons. Ultimately, we do something in the policy process, doing the best we can with what we know and value at the time, based on new reasons. This is what the policy process is all about, practically speaking: We act on newly evolved sufficient reasons, not on whether we might achieve some optimum or maximum, especially not only in strictly financial terms. Paraphrasing Bromley (p. 224): In developing policy, we are pragmatic as we freely act on the answers to questions like, What is better than we now have? What would move us in that direction? What will it take us to move? Is it worth it, in both financial and other legitimate terms? And, as metaeconomics would add: How would I want to be treated? As the last phrase in Bromley’s book declares: “That is all there is.”

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Bromley, D. W. *Sufficient Reason: Volitional Pragmatism and the Meaning of Economic Institutions*. Princeton, NJ: Princeton University Press, 2006. (See the book review in press with the American Journal of Agricultural Economics at; <http://metaeconomics.unl.edu/BromleySufficReasbyGlynne.pdf> also, Bromley will be presenting the Filley-Garey Public Lecture on this topic in April, 2007, see <http://www.agecon.unl.edu/seminar.html>).