

This book is a landmark in the application of competent economic analysis to the fundamental problems facing American agriculture. Written in a lucid style by one of the foremost experts in the field of agricultural economics, it investigates the significance of excess labor resources on farms; the.

When Schultz was in the eighth grade, his father Henry decided to pull him out of school. Schultz subsequently did not have any formal post-secondary education. He eventually enrolled in the Agriculture College at South Dakota State, in a three-year program that met for four months a year during the winter. He also received an honorary doctorate of science degree from the College in 1928. He graduated in 1928, then entered the University of Wisconsin—Madison earning his doctorate in Agricultural Economics in 1931 under Benjamin H. She was born and raised on a farm near Frankfort, South Dakota of German parents, who encouraged her to pursue schooling. In his Nobel Prize Lecture he acknowledged her contributions thus: Academic career[edit] Schultz taught at Iowa State College from 1928 to 1931. He became president of the American Economic Association in 1934. He retired in 1964 though he remained active at the University of Chicago into his 90s. Shortly after his move to Chicago, Schultz attracted his former student, D. Gale Johnson to the department. Their research in farm and agricultural economics was widely influential and attracted funding from the Rockefeller Foundation to the agricultural economics program at the University. Among the graduate students and faculty affiliated with the pair in the 1930s and 1940s were Clifford Hardin, Zvi Griliches, Marc Nerlove, and George S. While he was chair of economics at Chicago he led research into why post-World War II Germany and Japan recovered, at almost miraculous speeds, from the widespread devastation. Contrast this with the United Kingdom which was still rationing food long after the war. His conclusion was that the speed of recovery was due to a healthy and highly educated population; education makes people productive and good health care keeps the education investment around and able to produce. One of his main contributions was later called Human Capital Theory, and inspired much work in international development in the 1950s, motivating investments in vocational and technical education by Bretton Woods system International Financial Institutions such as the International Monetary Fund and the World Bank. During his research Schultz got down to details and went out among the poor farming nations of Europe, talking to farmers and political leaders in small towns. He was "not afraid to get his shoes a little muddy. He theorized that if the U. This was another key part of his work "Investment in Human Capital". Nobel Memorial Prize in Economic Sciences[edit] Schultz was awarded the Nobel Prize jointly with Sir William Arthur Lewis for his work in development economics, focusing on the economics of agriculture. He analyzed the role of agriculture within the economy, and his work has had far reaching implications for industrialization policy, both in developing and developed nations. Schultz also promulgated the idea of educational capital, an offshoot of the concept of human capital, relating specifically to the investments made in education. Schultz Hall, a residence hall for students pursuing degrees in agriculture. Quotes[edit] The dominant social thought shapes the institutionalized order of society Schultz [8] Most people in the world are poor. If we knew the economy of being poor, we would know much of the economics that really matter. Journal of Farm Economics. Journal of Political Economy. The American Economic Review. Redirecting Farm Policy, New York: Agriculture in an Unstable Economy, New York: Transforming Traditional Agriculture, New Haven: Economic Growth and Agriculture, New York: Investment in Human Capital: Human Resources Human Capital: National Bureau of Economic Research, Investing in People, University of California Press. Description and chapter-preview links. Food for the World, Chicago: University of Chicago Press. Investment in Human Beings, Chicago: New Economic Approaches to Fertility, Chicago: University of Chicago Press, Economics of the Family: Marriage, Children, and Human Capital, Chicago:

Chapter 2 : Role of Agriculture in the Economic Development of a Country

Agriculture in an Unstable Economy by Theodore William Schultz, Theodore O Yntema (Foreword by) starting at \$
Agriculture in an Unstable Economy has 2 available editions to buy at Alibris.

In the last two centuries, the reallocation of labor out of agriculture has been a dominant feature of structural change and economic growth in the United States. This paper uses an accounting framework founded in economic theory to decompose this reallocation into three components: The results show that the Engel effect accounts for almost all labor reallocation until the s, after which the Baumol effect becomes the key determinant. Our framework provides a unified account of long-run structural change, and demonstrates that historical interpretations and theoretical models that emphasize only one dimension of this process cannot properly account for the dramatic history of reallocation in the United States. Show Context Citation Context However, it has long been recognized that the elasticity of demand for non-food agricultural goods is also less than one e. Problems of instability and disequilibrium in U. Empirical evidence on resource disequilibrium and instability in the ratio of prices paid and received by farmers is presented. Galbraith and Black conducted one of the earliest studies of supply and demand imbalances. They attempted to explain the paradox that agricultural production was maintained during the depression of the s while the output of seven other sectors declined. Johnson , Cochrane, G. Johnson and Hathaway further analyzed the causes of disequilibrium. The inability of resources to move freely in and out of agriculture, implying an inelastic short-run supply curve, was central to explaining persistent disequilibrium, together with relatively stable but secularly declining demand growth rates. A parallel literature evolved to address problems of price and earnings instability in agriculture. The earliest work included Schultz and D. Johnson , Coch-rane p. In his seminal paper, Schuh argued for a greater macroeconomic orientation of agricultural economists, which could be achieved by incorporating sectoral linkages of agriculture with both the U. Purdue University is committed to the policy that all persons shall have equal access to its programs and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation. From the s to current time the focus of mainstream agricultural policy literature has been the relationship between agriculture and the international Sub-Saharan Africa is trapped in a complex unsustainability spiral with demographic, biophysical, technical and socio-political dimensions. Unravelling the spiral is vital to perceive which policy actions are needed to reverse it and initiate sustainable pro-poor growth. The article presents an evolutionary, multi-agent modelling framework that marries a socio-ecological approach to a world system perspective and takes agriculture as the engine for sustainable development in Sub-Saharan Africa. A number of possibilities for empirical validation are proposed. Modern transport enabled the tapping of land reserves in temperate zones outside Europe; industrial fertiliser accelerated the increase in yields; and fossil substitutes freed farm production capacities. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. The papers carry the names of the authors and should be cited accordingly. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent. Policy Research Working Papers are available online at Powered by:

Chapter 3 : Chapter 1 Mesopotamia - AP World History

The author is indebted to many of his colleagues for helpful suggestions during the development of this paper, especially Glenn L. Johnson, James T. Bonnen, and William A. Cromarty.

Some of the major role of agriculture in economic development of a country are as follows: Agricultural sector plays a strategic role in the process of economic development of a country. It has already made a significant contribution to the economic prosperity of advanced countries and its role in the economic development of less developed countries is of vital importance. In other words, where per capita real income is low, emphasis is being laid on agriculture and other primary industries. The history of England is clear evidence that Agricultural Revolution preceded the Industrial Revolution there. Similarly, various under-developed countries of the world engaged in the process of economic development have by now learnt the limitations of putting over-emphasis on industrialisation as a means to attain higher per capita real income. Kinderberger, Todaro, Lewis and Nurkse etc. As a matter of fact, if the process of economic development is to be initiated and made self-sustaining, it must begin for agricultural sector. Role of Agriculture in Economic Development: The agriculture sector is the backbone of an economy which provides the basic ingredients to mankind and now raw material for industrialisation. Therefore, the role of agriculture for the development of an economy may be stated as below: Contribution to National Income: The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. Source of Food Supply: Agriculture is the basic source of food supply of all the countries of the world—whether underdeveloped, developing or even developed. Due to heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to affect adversely the growth rate of the economy. Raising supply of food by agricultural sector has, therefore, great importance for economic growth of a country. Increase in demand for food in an economy is determined by the following equation: P stands for Population Growth Rate. Pre-Requisite for Raw Material: Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon on industrial production and a consequent increase in the general price level. The progress in agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the exports earning is more desirable because of the greater strains on the foreign exchange situation needed for the financing of imports of basic and essential capital goods. Initially, agriculture absorbs a large quantity of labour force. Agricultural progress permits the shift of manpower from agricultural to non-agricultural sector. In the initial stages, the diversion of labour from agricultural to non-agricultural sector is more important from the point of view of economic development as it eases the burden of surplus labour force over the limited land. Thus, the release of surplus manpower from the agricultural sector is necessary for the progress of agricultural sector and for expanding the non-agricultural sector. The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of commercial sector. Relief from Shortage of Capital: The development of agricultural sector has minimized the burden of several developed countries who were facing the shortage of foreign capital. Agriculture sector requires less capital for its development thus it minimizes growth problem of foreign capital. Helpful to Reduce Inequality: In a country which is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent. Based on Democratic Notions: If the agricultural sector does not grow at a faster rate, it may result in the growing discontentment amongst the masses which is never healthy for the smooth running of democratic governments. For economic development, it is necessary to minimize political as well as social tensions. In case the majority of the people have to be kindled with the hopes of

prosperity, this can be attained with the help of agricultural progress. Thus development of agriculture sector is also relevant on political and social grounds. The development of agricultural sector would tend to increase the purchasing power of agriculturists which will help the growth of the non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is they who must be able to afford to consume the goods produced. Therefore, it will be helpful in stimulating the growth of the non-agricultural sector. Similarly improvement in the productivity of cash crops may pave the way for the promotion of exchange economy which may help the growth of non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. Helpful in Phasing out Economic Depression: During depression, industrial production can be stopped or reduced but agricultural production continues as it produces basic necessities of life. Thus it continues to create effective demand even during adverse conditions of the economy. Source of Foreign Exchange for the Country: Most of the developing countries of the world are exporters of primary products. These products contribute 60 to 70 per cent of their total export earning. Thus, the capacity to import capital goods and machinery for industrial development depends crucially on the export earning of the agriculture sector. If exports of agricultural goods fail to increase at a sufficiently high rate, these countries are forced to incur heavy deficit in the balance of payments resulting in a serious foreign exchange problem. However, primary goods face declining prices in international market and the prospects of increasing export earnings through them are limited. Due to this, large developing countries like India having potentialities of industrial development are trying to diversify their production structure and promote the exports of manufactured goods even though this requires the adoption of protective measures in the initial period of planning. Contribution to Capital Formation: Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation. Agriculture sector provides funds for capital formation in many ways as: This method is adopted by Russia and China, iv labour in disguised unemployment, largely confined to agriculture, is viewed as a source of investible surplus, v transfer of labour and capital from farm to non-farm activities etc. Employment Opportunities for Rural People: Agriculture provides employment opportunities for rural people on a large scale in underdeveloped and developing countries. It is an important source of livelihood. Generally, landless workers and marginal farmers are engaged in non-agricultural jobs like handicrafts, furniture, textiles, leather, metal work, processing industries, and in other service sectors. These rural units fulfill merely local demands. In India about It is time that rural economy depends on agriculture and allied occupations in an underdeveloped country. The rising agricultural surplus caused by increasing agricultural production and productivity tends to improve social welfare, particularly in rural areas. The living standard of rural masses rises and they start consuming nutritious diet including eggs, milk, ghee and fruits. They lead a comfortable life having all modern amenitiesâ€”a better house, motor-cycle, radio, television and use of better clothes. Extension of Market for Industrial Output: As a result of agricultural progress, there will be extension of market for industrial products. Increase in agricultural productivity leads to increase in the income of rural population which is turn leads to more demand for industrial products, thus development of industrial sector. From the above cited explanation we conclude that agricultural development is a must for the economic development of a country. Even developed countries lay emphasis on agricultural development.

Chapter 4 : Home | Choices Magazine Online

Note: Citations are based on reference standards. However, formatting rules can vary widely between applications and fields of interest or study. The specific requirements or preferences of your reviewing publisher, classroom teacher, institution or organization should be applied.

Undertake an evaluation of the causes of economic instability and the role, if any, that the government can play in reducing economic instability by constraining their discretion in policy making. Economic instability can include a volatile inflation rate and volatile rate of economic growth. It can involve higher unemployment and uncertainty about the economic cycle. Causes of Economic Instability Aggregate demand can be volatile for various reasons: Changes in house prices If house prices increase faster than inflation, this creates a wealth effect and improved consumer confidence, therefore spending and AD increase. A fall in house prices, however, would cause the opposite effect. Falling house prices in were a major factor behind the economic instability of Falling house prices caused a negative wealth effect but also falling house prices led to bank losses. Fluctuations in Stock Markets A big fall in stock markets can trigger falls in consumer confidence and lead to a recession. The Wall Street crash of was a primary cause of the great depression. However, the stock market crash of did not cause an economic downturn. In fact, in the UK it was followed by an unprecedented economic boom. This was partly due to the way the government responded by cutting income tax and cutting interest rates. This cause a big fall in confidence in lending money. This shortage of credit led to a shortage of credit. This caused the problems of northern rock and reduced consumer confidence. Changes in Interest Rates Interest rates are used as a tool in controlling inflation. However, they can also have an impact on consumer spending. Sometimes interest rates may have little impact; however, if they coincide with other factors they can cause a much bigger than expected fall in consumer spending. For example, in the UK, many homeowners have a variable mortgage. Therefore a small change in interest rates can have a big effect on disposable income. If an increase in interest rates was combined with another factor such as the slowing down of house price growth it may cause a big fall in spending. Note, interest rates can have a delayed effect. Global Factors In an era of globalisation, there is an increasing interdependence of the world economies. It used to be the case the world was very dependent on the US economy. However, it is argued that the world is less dependent on the US economy because of the development of new economies like China and India. Nevertheless, global factors are of great importance. Government Debt Crisis If markets fear government debt is unsustainable or likely to face liquidity shortages, bonds will be sold. This will tend to push up interest rates on bond yields. This increases the government debt interest payments and puts pressure on the government to cut spending and reduce the budget deficit. This can cause a negative spiral of lower growth and lower tax receipts. Higher interest rates Falling house prices causing a decline in consumer wealth and spending Strong overvalued Pound making exports too expensive The recession was caused by:

Chapter 5 : Theodore Schultz - Wikipedia

Schultz, Theodore W. , Agriculture in an unstable economy / by Theodore W. Schultz McGraw-Hill New York Wikipedia Citation Please see Wikipedia's template documentation for further citation fields that may be required.

Can you be sued for dissing a hamburger? Peasant agriculture One characteristic of undeveloped peasant agriculture is its self-sufficiency. Farm families in those circumstances consume a substantial part of what they produce. While some of their output may be sold in the market, their total production is generally not much larger than what is needed for the maintenance of the family. Not only is productivity per worker low under those conditions, but yields per unit of land are also low. Even where the land was originally fertile, the fertility is likely to have been depleted by decades of continuous cropping. The available manures are not sufficient, and the farmers cannot afford to purchase them elsewhere. Peasant agriculture is often said to be characterized by inertia. The peasant farmer is likely to be illiterate, suspicious of outsiders, and reluctant to try new methods; food patterns remain unchanged for decades or even centuries. Evidence, however, suggests that the apparent inertia may be simply the result of a lack of alternatives. If there is nothing better to change to, there is little point in changing. Moreover, the self-sufficient farmer is bound to want to minimize risks; since a crop failure can mean starvation in many parts of the world, farmers have been reluctant to adopt new methods if doing so would expose them to greater risks of failure. The increased use worldwide of high-yielding varieties of rice and wheat from the s showed that farmers were willing and able to adopt new crops and farming methods when their superiority was demonstrated. Those high-yielding varieties, however, required increased outlays for fertilizer, as well as expanded facilities for storage and distribution, and many developing countries were unable to afford such expenditures. The labour force As economic development proceeds, a large proportion of the farm labour force must shift from agriculture into other pursuits. That fundamental shift in the labour force is made possible, of course, by an enormous increase in output per worker as agriculture becomes modernized. That increase in output stems from various factors. Where land is plentiful, the output per worker is likely to be higher because it is possible to employ more fertilizer and machinery per worker. The remainder is either in forests or is not being used for agricultural purposes. There are great differences in the amount of arable land per person in the various regions of the world. The greatest amount of arable land per capita is in Oceania; the least is in China. No direct relationship exists between the amount of arable land per capita and the level of income. The relationship between land, population, and farm production is a complex one. In traditional agriculture, where methods of production have changed little over a long period of time, production is largely determined by the quality and quantity of land available and the number of people working on the land. That generally involved a shift to crops that would yield more per unit of land and required more labour for their cultivation. Wheat , rye , and millet require less labour per unit of land and per unit of food output than do rice , potatoes , or corn maize , but generally the latter yield more food per unit of land. Thus, as population density increased, the latter groups of crops tended to be substituted for the former. That did not hold true in Europe, where wheat, rye, and millet expanded at the expense of pasture land, but those crops yielded more food per acre than did the livestock that they displaced. Harvesting wheat on a farm in the grain belt near Saskatoon, Saskatchewan, Canada. A potash mine appears in the distant background. George Hunter As agriculture becomes modernized, its dependence upon land as well as upon human labour decreases. Animal power and machinery are substituted for human labour; mechanical power then replaces animal power. The substitution of mechanical power for animal power reduces the need for land. The increased use of fertilizer as modernization occurs also acts as a substitute for both land and labour; the same is true of herbicides and insecticides. By making it possible to produce more per unit of land and per hour of work, less land and labour are required for a given amount of output. Efforts to control prices and production In the second half of the 20th century, governments undertook to control both prices and output in the agricultural sector, largely in response to the pressures of the farmers themselves. In the absence of such control, farm prices tend to fluctuate more than do most other prices, and the incomes of farmers fluctuate to an even greater degree. Not only are incomes in agriculture unstable, but they also tend to be lower than

incomes in other economic sectors. The problem of price instability of farm prices results from several factors. One is the relative slowness with which farmers are able to respond to changes in the demand for their product. Farmers generally must produce on the basis of expectations, and if their expectations turn out to be wrong, the resulting surplus or shortage cannot be corrected until the beginning of the next production cycle. Once a crop is planted, very little can be done to increase or decrease production in response to market prices. As long as prices cover current operating costs, such as the cost of harvesting, it pays farmers to carry through their production plans even if prices fall to a very low level. It is not unusual for the prices of particular farm products to vary by a third or a half from year to year. That extreme variability results from the relatively low responsiveness of demand to changes in price.¹

Instability of income The instability of farm prices is accompanied by instability of farm income. While gross income from agriculture generally does not vary as much as do individual farm prices, net income may vary more than prices. In modern agriculture, costs tend to be relatively stable; the farmer is unable to compensate for a drop in prices by reducing his payments for machinery, fertilizer, or labour. The incomes of farm workers are generally below those of other workers. There are two major reasons for that inequity. One is that in most economies the need for farm labour is declining, and each year large numbers of farm people, especially young ones, must leave their homes to seek jobs elsewhere. The difference in returns to labour is required to bring about that transfer of workers out of farming; if the transfer did not occur, farm incomes would be even more depressed. The second major reason for the income differences is that farm people generally have less education than do nonfarm people and are able to earn less at nonfarm jobs. The difference in education is of long standing and is found in all countries, developed and undeveloped; it also exists whether the national education system is highly decentralized, as in the United States, or highly centralized, as in France. Government intervention

Governments have employed various measures to maintain farm prices and incomes above what the market would otherwise have yielded. They have included tariffs or import levies, import quotas, export subsidies, direct payments to farmers, and limitations on production. Tariffs and import quotas can be effective only if a country normally imports some of its supply. Export subsidies result in higher prices to domestic consumers than to foreign purchasers; their use requires control over imports to prevent foreign supplies from entering the domestic market and bringing prices down. Direct payments to farmers have been used to maintain prices to consumers at reasonable levels, while assuring farmers a return above world-market levels. Limitations on production, intended to reduce supply and thus increase prices, have been used in Brazil for coffee and in the United States for major crops.

Accomplishments The effects of price and income policies are difficult to assess. The policies have unquestionably worked to raise agricultural production in the countries where they have been applied, but their usefulness as a means of enhancing the economic well-being of farm people is debatable. The governments of the industrial countries have been able to raise the returns from agriculture above the levels that would have prevailed in the absence of such intervention. In addition to maintaining prices, they provide subsidies for agricultural inputs such as tractor fuel and chemical fertilizers; they also gave assistance in consolidating small farms into larger ones and in improving farm buildings. The level of income and the economic well-being of farm people in general are determined by many factors, including not only the prices they receive for their output but also the rate at which the economy in general is growing, the ease with which people can move from farm to nonfarm jobs, the prices they must pay for their productive inputs, and their level of education. With respect to average income per person, as distinguished from total income, the prices received and paid are probably less important than the other factors mentioned. That becomes obvious when one compares farm incomes in developed countries with those in less-developed ones; the differences in real income have to do mainly with the levels of economic development and not with farm prices or subsidies. Government efforts to increase farm prices are likely to be offset, in the long run, by an increase in the number of persons engaged in farming, and that tends to keep the returns to farm labour from rising much faster than they would in the absence of such policies. There are two other reasons for believing that the income effects of higher farm prices or subsidies are relatively insignificant in the long run compared with other factors affecting incomes of farm workers. One is that an increase in farm prices induces farmers to use more fertilizer, machinery, fuel and oil, and other items. If a significant part of any increase in gross

income is used for such things, the absolute increase in net farm income is much smaller than the increase in gross farm income. The second reason is that a given increase in government-supported farm prices generally occurs only once. After the increase in returns has been realized, the higher farm prices contribute nothing further to incomes. In contrast, general economic growth along with the continued reduction of the farm labour force has cumulative effects on the return to farm labour. If the returns to farm labour were to grow at an average annual rate of about 3 percent, for example, farm prices would have to increase at least 3 percent annually assuming other prices did not change to have the same effect on returns to farm resources. Costs The costs of the agricultural price and income policies of industrial countries are substantial; they include not only direct governmental outlays but also the increased costs to consumers in those countries, as well as the losses to developing countries of potential export markets. The organization of farming Ownership Except in the few countries with communist governments, most farmland is privately owned. That does not mean, however, that the land is owned by those who farm it. In most countries a major aspiration of farm people has been to achieve the ownership of the land they work. After World War II, for example, Japan and Taiwan underwent land reforms that were intended to broaden ownership, and similar reforms have been advocated in other countries. On a cooperative farm the land is owned jointly by the members of the group who farm it. The cooperative generally also owns all the major means of production, and the members supply all or most of the labour. While there are examples of cooperative farms in many countries, they loom large only in Israel, where the kibbutzim control about one-tenth of all agricultural land. In a collective farm, at least as organized in the former Soviet republics, the land was owned by the state but was permanently leased to the kolkhoz collective farm. The kolkhoz owned its own equipment and livestock and was required to meet certain commitments to the state in the form of deliveries of farm products. In theory, the members of the kolkhoz were to elect the officers of the farm and establish the procedures by which the net product was to be divided among the members for services performed. In practice, however, their autonomy was severely limited by the economic plans. In most cases these plans were incredibly detailed, specifying the crops to be grown, the times of plowing, planting, and harvesting, the quantities of fertilizer and manures to be used, and the kinds of livestock to be maintained. On state farms the land and all other means of production are owned by the state. The workers are paid in wages, and management decisions are made by individuals directly responsible to the state. Kinds of farm operation If a family farm is defined as one for which the farm operator and family members supply at least half of the labour, the majority of farms in the world are family farms. Family farming is carried on under a wide range of conditions, from the small farms of Asia to the highly mechanized farms of Canada, the United States, and the United Kingdom. The family farm may be owned by the farmer or rented. The most rapidly expanding type of tenure in the United States is that in which the farmer owns part of the land and rents the remainder; almost one-third of all farmland in the United States consists of part-owner farms. This arrangement enables the farmer to increase the size of the farm through renting and to invest capital in machinery and livestock. Family farms may be large in terms of total assets or sales. The relative importance of family farms among the largest farms in the United States has increased over the past few decades. One of the more striking changes in industrial countries has been the increased importance of nonfarm income received by farm families. In the United States, Canada, and Japan more than half of the total income of farm families comes from nonfarm sources, while in most western European countries at least a third of the income of farm families is earned outside of agriculture.

Chapter 6 : Agriculture In An Unstable Economy--Revisited

In the last two centuries, the reallocation of labor out of agriculture has been a dominant feature of structural change and economic growth in the United States.

Barnett and Keith H. Schultz *Agriculture in an Unstable Economy* The theme title is posed as a question rather than the descriptive statement generally used in past themes in Choices. The reason for this difference is based on the timing of this topic. World agriculture has recently passed through a brief period of extreme turbulence. Having passed through this period, it remains unclear whether the period is an outlier of long-term trends or a portent of things to come. In addition, this period is now being followed by an international financial and economic crisis that may yet result in extreme conditions of some other form. Thus, no definitive answer can be given about the question posed here. In addressing the question posed by this theme, two issues are relevant. First, is there a new era of instability in agriculture? It can be easily argued that it is too early to tell whether the events of the past decade signal the beginning of a new era or merely an outlier within past trends. Nevertheless, stakeholders and policymakers are likely to debate this question in the near future. Such a debate is more likely to reach a reasonable outcome if it is informed by economic analysis. Second, are there new or larger portions of the ingredients that contribute to the instability of the agricultural sector and the food system at large? World agricultural markets, despite the continuing presence of trade barriers, have become highly integrated across national borders. After years of speculation about whether agriculture could be a significant supplier of energy, the development of the ethanol market as a major user of agricultural commodities is now a reality. The effects of macroeconomic conditions on agriculture are likely to become increasingly evident as the global financial crisis unfolds. These and other ingredients pose the possibility that a new era of instability is emerging in agriculture. The papers presented here examine these questions in the light of events over the past decade. The topics include consideration of whether agricultural commodity prices have reached a new plateau and whether the integration of agricultural and energy markets exposes the agricultural sector to the instability of the energy sector. Other papers examine the role of national policy decisions, commodity market regulation, macroeconomic factors, and evolving credit markets as sources of farm income and asset price instability. Finally, the adequacy of existing risk management tools is examined. In the first paper, Scott Irwin and Darrel Good examine recent changes in agricultural commodity prices through the lens of past episodes of increased prices. Comparing recent prices to the historical evidence, they reach the conclusion that a new era of agricultural price volatility has arrived with both a higher average price and wider variation in prices. Such an outlook, they conclude, could have far-reaching effects for virtually every market participant in the food system. In the second paper, Andrew Muhammad and Ellene Kebede examine the question of whether the development of the ethanol market has resulted in the integration of oil and corn prices in such a manner that the agricultural sector is now importing instability from the oil sector. Based on an emerging body of literature on the subject, Muhammad and Kebede conclude that such integration has occurred. Such an unintended consequence could, of course, add a significant new ingredient to the instability of the farm sector by adding to the level and variability of commodity prices. In the third paper, Joachim von Braun and Maximo Torero dissect the commodity price spike of 2008 by examining the role of policy-induced instability in the price spike. In particular, they examine the role of changes in national trade policy—temporary erection of export barriers and reductions of import barriers—in adding upward pressure on commodity markets. Second, they examine the possibility that speculative activity contributed to the price spike. Both cases underscore the role of public policy in a market economy—every market operates within an institutional framework that determines the economic performance of that market. In that vein, von Braun and Torero then consider institutional innovations intended to increase the stability of commodity markets. In the fourth paper, William Liefert and Mathew Shane examine the impact of the ongoing global financial crisis on the farm sector. Examining both the direct credit availability and indirect economic growth and exchange rate consequences of macroeconomic policy, they find that the indirect effects are likely to have a larger impact on the farm sector than the direct effect. If Liefert and Shane are correct in this assessment, the full impact of the

financial crisis has not yet been felt by the agricultural sector. Examining alternative macroeconomic scenarios, Morehart finds that the outlook for land values can be highly sensitive to macroeconomic conditions. Such a finding is particularly important given the almost unprecedented uncertainty about macroeconomic conditions during and after the ongoing credit crisis. Again, the farm sector could be exposed to instability from a source outside the farm sector that is, in large part, a policy-induced creation. In the sixth paper, Paul Ellinger examines the financial crisis from yet another dimension—that of the financial sector serving agriculture. As Ellinger notes, the initial shock waves of the financial crisis were centered in nonagricultural lending institutions. Thus, the initial impact of the financial crisis on agricultural lenders was minimal. As time has passed, however, the potential impact of the crisis on agricultural credit markets could be larger in the near future. They urge caution in concluding that agriculture has reached a new era of instability. As a collection, these papers underscore the complexity of understanding future economic conditions in the agricultural sector. Moreover, such complexity adds to the difficulty of anticipating the consequences of alternative policy institutions. Such is the nature of public policymaking, however, and the policy issues examined in these papers are likely to remain on the food policy agenda, in both national and international forums, for the foreseeable future.

Chapter 7 : Unstable markets

About this Book Catalog Record Details. Agriculture in an unstable economy, by Theodore W. Schultz Schultz, Theodore W. (Theodore William),

Settled Agriculture in an Unstable Landscape 1. Mesopotamia is the alluvial plain area alongside and between the Tigris and Euphrates Rivers. The area is a difficult environment for agriculture because there is little rainfall, the rivers flood at the wrong time for grain agriculture, and the rivers change course unpredictably. Mesopotamia does have a warm climate and good soil. Other crops and natural resources of the area included date palms, vegetables, reeds and fish, and fallow land for grazing goats and sheep. Draft animals included cattle and donkeys and, later second millenniumB. The area has no significant wood, stone, or metal resources. Cities, Kings, and Trade 1. Early Mesopotamian society was a society of villages and cities linked together in a system of mutual interdependence. Cities depended on villages to produce surplus food to feed the nonproducing urban elite and craftspeople. In return, the cities provided the villages with military protection, markets, and specialist-produced goods 2. Together, a city and its agricultural hinterland formed what we call a city-state. The Mesopotamian city-states sometimes fought with each other over resources like water and land; at other times, city-states cooperated with each other in sharing resources. City-states also traded with one another. City-states could mobilize human resources to open new agricultural land and to build and maintain irrigation systems. Construction of irrigation systems required the organization of large numbers of people for labor. Although we know little of the political institutions of Mesopotamian city-states, we do have written and archeological records of two centers of power: Temples were landholders, and their priests controlled considerable wealth. Their religious power predates the secular power of the palaces. The lugal ruled from their palaces and tended to take over religious control of institutions. Eventually some of the city-states became powerful enough to absorb others and thus create larger territorial states. A third territorial state was established by Hammurabi and is known to historians as the Old Babylonian state. Hammurabi is also known for the Law Code associated with his name, which provides us with a source of information about Old Babylonian law, punishments, and society. The states of Mesopotamia needed resources and obtained them not only by territorial expansion but also through a flourishing long-distance trade. Trade was carried out through barter or traded for fixed weights of precious metal or measurements of grains. Mesopotamia had a stratified society in which kings and priests controlled much of the wealth. The three classes of Mesopotamian society were: Slavery was not a fundamental part of the economy, and most slaves were prisoners of war. Some scholars believe that the development of agriculture brought about a decline in the status of women because men did the value-producing work of plowing and irrigation. Women were able to own property, control their dowry, and engage in trade. The rise of an urban merchant class in the second millenniumB. Gods, Priests, and Temples 1. The religion of Mesopotamia was an amalgam of Sumerian and later Semitic beliefs and deities. Mesopotamian deities were anthropomorphic, and each city had its own tutelary gods. Humans were regarded as servants of the gods. In temples, a complex, specialized hereditary priesthood served the gods as a servant serves a master. The temples themselves were walled compounds containing religions and functional buildings. The most visible part of the temple compound was the ziggurat. We have little knowledge of the beliefs and religious practices of common people. Evidence indicates a popular belief in magic and in the use of magic to influence the gods. Technology and Science 1. The Mesopotamian writing system cuneiform evolved from the use of pictures to represent the sounds of words or parts of words. The writing system was complex, required the use of hundreds of signs, and was a monopoly of the scribes. Cuneiform was developed to write Sumerian but was later used to write Akkadian and other Semitic and non-Semitic languages. Cuneiform was used to write economic, political, legal, literary, religious, and scientific texts. Other technologies developed by the Mesopotamians included irrigation, transportation boats, barges, and the use of donkeys , bronze metallurgy, brickmaking, and engineering. Military technology employed in Mesopotamia included paid, full-time soldiers; horses; the horse-drawn chariot; the bow and arrow; and siege machinery. Mesopotamians also used numbers a base system and made advances in

mathematics and astronomy. The Land of Egypt: The land of Egypt is defined by the Nile River, the narrow green strip of arable land on either side of its banks, and the fertile Nile delta area. Egypt was traditionally divided into two areas: Upper Egypt, along the southern part of the Nile as far south as the First Cataract, and Lower Egypt, the northern delta area. The climate was good for agriculture, but with little or no rainfall, farmers had to depend on the river for irrigation. The Nile floods regularly and at the right time of year, leaving a rich and easily worked deposit of silt. Egyptian agriculture depended upon the floods, and crops could be adversely affected if the floods were too high or not high enough. Generally speaking, however, the floods were regular, and this inspired the Egyptians to view the universe as a regular and orderly place. Historians organize Egyptian history into a series of thirty dynasties falling into three longer periods: These three periods were divided by periods of political fragmentation and chaos. Kings, known as pharaohs, dominated the Egyptian state. The pharaohs were regarded as gods come to earth to ensure the welfare and prosperity of the people. The death of a pharaoh was thought to be the beginning of his journey back to the land of the gods. Funeral rites and proper preservation of the body were therefore of tremendous importance. Early pharaohs were buried in flat-topped rectangular tombs. Stepped pyramid tombs appeared about B. The great pyramids were constructed with stone tools and simple lever, pulley, and roller technology and required substantial inputs of resources and labor. Administration and Communication 1. Egypt was governed by a central administration in the capital city through a system of provincial and village bureaucracies. Bureaucrats at the center kept track of land, labor, taxes, and people; collected resources from throughout the country; and used them to support the central government institutions the palace, the bureaucracy, and the army and to maintain temples and construct monuments. The ancient Egyptians developed two writing systems: Egyptians wrote on papyrus and used writing for religious and secular literature as well as for record keeping. Tensions between central and local government are a constant feature of Egyptian political history. At times when the central power was predominant, provincial officials were appointed and promoted by the central government on the basis of merit. When central power was weak, provincial officials tended to become autonomous, made their positions hereditary, and had themselves buried in their own districts rather than near the tombs of their kings. Egypt was more rural than Mesopotamia. It did have cities, but since they have not been excavated, we know little about urban life in Egypt. Egypt regarded all foreigners as enemies, but its desert nomad neighbors posed no serious military threat. Egypt was generally more interested in acquiring resources than in acquiring territory; resources could often be acquired through trade. Egypt traded directly with the Levant and Nubia and indirectly with the land of Punt probably part of modern Somalia. Items of trade included exports of papyrus, grain, and gold and imports of incense, Nubian gold, Lebanese cedar, and tropical African ivory, ebony, and animals. The People of Egypt 1. Ancient Egypt had a population of about 1 to 1. The people were divided into several social strata: Peasants lived in villages, cultivated the soil, and were responsible for paying taxes and providing labor service. Paintings indicate that women were subordinate to men and engaged in domestic activities. Egyptian women did have the right to hold, inherit, and will property and retained rights over their own dowry after divorce. They probably had more rights than Mesopotamian women. Belief and Knowledge 1. Egyptian religious beliefs were based on a cyclical view of nature. Two of the most significant gods, the sun-god Re and Osiris, god of the Underworld, who was killed, dismembered, and then restored to life, represented renewal and life after death. The kings who were identified with Re and with Horus, the son of Osiris, served as chief priests. The supreme god of the Egyptian pantheon was generally the god of the city that was serving as the capital. The Egyptians spent a large amount of their wealth in constructing fabulous temples. Temple activities included regular offerings to the gods and great festivals. We know little about popular religious beliefs. What we do know indicates that the Egyptians generally believed in magic and in an afterlife. Concern with the afterlife inspired Egyptians to mummify the bodies of the dead before entombing them. Tombs contain pictures and samples of food and other necessities and thus are a valuable source of information about daily life in Egypt. Tombs were usually built at the end of the desert to avoid wasting arable land. The amount and quality of tomb goods and the form of the tombs themselves reflect the social status of the deceased.

Chapter 8 : Theodore William Schultz | American economist | calendrierdelascience.com

Agricultural economics, study of the allocation, distribution, and utilization of the resources used, along with the commodities produced, by calendrierdelascience.comltural economics plays a role in the economics of development, for a continuous level of farm surplus is one of the wellsprings of technological and commercial growth.

Chapter 9 : agricultural economics | Definition, Scope, & Facts | calendrierdelascience.com

PAKISTAN " AN UNSTABLE ECONOMY 5 agricultural sectors in the same country and agricultural countries, taking the world as a whole, exhibit much greater elements of instability.