

**CAES WORKSHOP, OTTAWA, 24 OCTOBER, 2008: *What Makes Agricultural Economics Research Relevant for Policy Advice?***

**PRESENTATION BY JOANNA HEWITT**

Let me begin by thanking Lars Brink and his team for this well chosen workshop theme.

Interestingly, despite the fact that governments around the world fund a rather substantial amount of agricultural economics research through in-house capability, university funding and direct grants, there tends to be less interaction between the worlds of research and public policy in agricultural economics than in many other fields.

I don't think it would be controversial to say that there is vast scope for governments to take advantage of advice from agricultural economists. Perhaps the gulf between prevailing policies in most countries and the consensus views of agricultural economists complicates these relationships? In any case, I am a committed advocate for bridging the gap and I am very pleased to have the opportunity to join your discussion about "What Works?"

**A government insider with a foot in the research world**

I thought I should say a few words about my own background to help place my observations in context. Although there has been some crossover in my career, the majority of my professional experience has been in government. I worked largely in the trade and agriculture fields for the Australian Government for some three decades. My last years in office were as lead negotiator in the WTO Doha round and subsequently as Secretary of the Australian Department of Agriculture, Fisheries and Forestry. I have spent some years, however, closer to the research perspective. I had a three year stint in the mid 1990s at the OECD's Agriculture Directorate. I now work in Washington DC as an independent consultant, mainly on corporate activities but I have also been doing some international agricultural and trade projects in the public policy sphere. I speak therefore essentially from a government perspective but I hope with some depth of understanding of the research world.

I should also say that I have been privileged over the course of my career to have benefited from close professional links with some outstanding agricultural economics researchers. The Agriculture portfolio in the Australian Government incorporates ABARE (the Australian Bureau of Agricultural and Resource Economics), an independently managed economics research body with a similar mandate, for those of you who don't know its work, to the ERS (Economics Research Service) of the US Department of Agriculture. Much of ABARE's work takes the form of published research reports but in exchange for base funding and some contract project

funding, ABARE's services were available to the Department to shed important analytical light on thorny policy problems and added immeasurably to the quality of advice we were able to provide to the Government.

Another arrow in the quiver of an Australian agricultural policy adviser is a national network of agricultural research and development corporations. These are uniquely Australian animals, set up as separate corporate entities for each of the key industries (grains, wool, meat and livestock, dairy and so on.) They are funded by charges levied on individual agricultural producers which are matched dollar-for-dollar by the Australian Government. The corporations then essentially contract out research projects which reflect the views on critical research priorities of both government and each major agricultural industry. Much of this research is in the scientific or environmental field but a share of the funding is devoted to economic and trade analysis. A special advantage of the model is that it fosters links between researchers and industry leaders as well as government officials, and hopefully helps in the tricky task of targeting research capability to user needs and making it more likely that research conclusions will be adopted.

I would mention also that in Australia, as in Canada and the US, government operates on a federal model and the State Governments of Australia also fund a large (but sadly, shrinking) number of research institutions, along with the capability of the universities and colleges around the nation. In these bodies, too, there is a significant repository of agricultural economics expertise which can be tapped by enterprising government officials.

Finally, I note that in Australia as in many countries there has been a valuable growth in recent years in high quality private research institutions and corporations which bid under contract for research projects from governments and industry. This has improved the range and quality of research services available with advantages for both governments and researchers.

### **Bridging the research to policy gap: what has been successful?**

With so much capability, why is it so hard to convert research conclusions into policy action? Government policies in the agriculture sector around the globe (even in my own country) are stubbornly different from the prescriptions almost universally embraced by agricultural economists and expert intergovernmental organizations in the field like the OECD and the World Bank. Not to put too fine a point on it, governments around the world are still doing far too much of what they should not do by way of interventions in the market (subsidies, production quotas, trade restrictions) and too little by way of provision of public infrastructure, best practice health and safety and consumer protection and appropriate regulation for environmental market failure. This audience might also argue that governments fund too little public good oriented agricultural research and development.

A lot has been written about the challenging politics of reform in the agriculture sector but I thought I would focus instead today on what has worked well in my experience.

I'll start with **timeliness**. Attention spans in government are often frighteningly short as decisions are taken in anticipation of or in response to fast moving events. Serious researchers can be appalled by being asked for considered advice on complex issues in days rather than weeks or months. In some situations, however, it is a question of whether policy decisions are informed by the best available analysis on the day or not at all. The most perfectly considered advice which arrives the day or the week after a decision is made is perfectly useless!

I can think of a number of issues I dealt with in government on which I asked colleagues in ABARE for economic analysis on unconscionably short notice. One that stands out concerns advice we were developing for government on fate of the **wool reserve price scheme** which operated through to the beginning of the 1990s. In what was a "perfect storm" for the Australian wool industry, demand plummeted through a combination of factors including the sudden demise of the Soviet Union (and its demand for cold climate military uniforms!) and progressive technological advances which shifted demand from wool to synthetic fabrics. The Australian Wool Corporation misread the signs and through the operation of its buffer stock program ended up with a massive wool stockpile. The industry leadership refused to recognize the new realities and wanted to persist with its reserve price / buffer stock arrangement. The hard analysis we were able to pull together in a series of briefings over a very few weeks was powerful in persuading government that the industry-managed but government-enabled scheme had to be dismantled because all other options would be more costly to both producers and taxpayers. In this case, clear articulation of the situation and persuasive economic modeling of competing policy options was very effective. Despite the horrendously difficult politics involved, the sensible decision was taken.

**Crisis** might not be the ideal operating environment for dispassionate agricultural economics analysis but it can often be a starting point for focusing attention on the real policy choices available to governments and farm interests. Another example I recall from more recent experience in Australia arose from the dramatic **over-supply of wine grapes** around the middle of this decade after a couple of decades of spectacular growth. I was asked by my Minister to chair a government-industry "crisis summit" to bring together the best analytical material we could muster on the problem and outlook and to explore jointly with industry their ideas for policy responses. Some of the views put forward by parts of the industry, including vine pulling incentive schemes, were not supported by the analysis we were able to produce. As is often the case, the most effective response is often a decision not to intervene. But this is a continuing story, unfortunately only made less severe by the supply reductions induced by difficult climate conditions in Australia. I was pleased, however, that we were at least able to engage in a

debate that for the most part was constructive and informative. One of the key outcomes from the summit was the commissioning of several new pieces of economic analysis to be considered subsequently by both government and industry groups.

Of course not all reform emerges from crisis. Indeed there are plenty of examples of poor policy being made in haste that has proven difficult to reverse when the crisis passes. One of the good examples I can quote of **carefully planned, evidence-based policy reform** undertaken without any immediate pressure for radical change was the deregulation of Australia's domestic milk market. This was a contentious policy shift that was achieved over some quite forceful opposition. What was important in bringing it forward in the end was the quality of the research that went into examining the likely effects of the change proposed along with a substantial package of **adjustment assistance** provided over a period of years for the affected farmers. Some policy purists prefer the "cold turkey" approach to change and at times that can work. My experience certainly leads me to think that if a short to medium term investment in adjustment assistance is likely to help achieve a fundamental reform objective, it might be cheap at the price. I think this was the case with Australia's dairy reform. I think the last payments are now through the system and many former opponents of the change are now enthusiastic advocates. I would sound a note of caution here too. Examples abound of long term (or even permanent) over-compensation for rather modest reform. At the risk of inciting rebuttal I would say that the EU's CAP reforms of the early 2000s to introduce partially decoupled payments in compensation for partial removal of market price support were an excellent case in point. That said, I would stick with my more general observation about the value of high quality research into the likely impacts of policy change and careful design of time limited adjustment assistance to assist in its implementation.

A related point is that to be useful, analytical contributions need to be **focused on the issues in play** or capable of being brought into play by governments. I have recently done an impact evaluation of IFPRI's (International Food Policy Research Institute) work on the WTO's Doha negotiations. The evaluation drew extensively on the views of trade negotiators and government advisers as well as other stakeholders. What was striking in the interviews I did with government negotiators and advisers for this evaluation was their insistence that trade research needed to be directed to the issues governments were actually grappling with or could be persuaded to consider. There was no point, they argued, in telling negotiators with a series of understandings already behind them that they needed to start from a different point and focus on different issues.

I am not suggesting that governments cannot be asked to look afresh at complex issues and benefit from new thinking about the best way forward. But in a multilateral process involving around 150 governments on sensitive political issues, the most powerful advice will be that

which (in addition to being analytically sound) illuminates or builds on issues at the centre of the debate. This does mean that researchers aiming to influence policy need to be alert to the issues that concern governments and agricultural industries and to look for timely opportunities to bring their work forward. Good examples in the Doha context have included work done around the time of the WTO's December 2005 Hong Kong Ministerial Conference by the World Bank and others on the relative impact of reductions in market access vs domestic support disciplines. Other useful for at this time and later included IFPRI's work on Duty Free and Quota Free (DFQF) access for least developed countries and on the impacts of preference erosion. Many agricultural economists would have preferred the option of suggesting entirely different and more far-reaching reforms. I would argue that at this point of the negotiation it is important to work closer to the bounds of the possible while making sure that plenty of high quality analysis is done on the remaining reform task and ways it might be tackled in future negotiations. I would characterize this point as opting for second best rather than no reform when nothing better is negotiable.

I want now to say a bit about **style and presentation**. There are obvious differences between what will be most effective for publication in learned, peer reviewed journals as compared with papers intended to influence policy advisers and decision-makers. Reverting to the point I made earlier about the pressure of time in the policy process, I will reiterate that materials for policy audiences should be as short and clear as possible. I think it was Albert Einstein who said that ideas should be expressed as simply as possible "but no more simply than that". In this vein, I am not suggesting "dumbing down" of important complexities. Rather, I am suggesting leaving aside the detailed formulae and citations that are important in the academic world and instead distilling the underlying policy implications of economic analysis. If an argument really needs to be stepped through at some length, at least make sure there is a short, clear executive summary for the busy reader in government who might then be persuaded to invest the time needed to read the accompanying material.

Having prepared a policy-oriented research contribution in suitable format, the next challenge is to make sure it gets to its intended audience through effective channels of **targeted communications**. In my experience some researchers are better at this than others, or at least willing to invest the time it takes. As I have said, I am a strong believer in the mutual benefit involved in active engagement between policy advisers and researchers. This contact helps researchers refine their research questions for relevance and to "road test" preliminary conclusions with those who might know more about implementing policy change. In countries where this interaction is not common, it might mean researchers have to initiate contact and invest a bit more time in relationship building in the interests of demonstrating what can be done for policy makers through the power of high quality analysis. Not all researchers will find this attractive and of course not all researchers want or need to be at the applied end of

agricultural economics research. There is a fundamental need for researchers whose contributions lie closer to the pure research end of the spectrum, developing new theory and building better models and data bases. But for those who have a desire to influence outcomes more quickly and directly, it is important to be able to speak in policy language and to understand the basics of the decision-making process, both in terms of legal authorities and personalities.

I worry that influential players in both government and the research world are too often motivated by (or comfortable with) dialogue that is internal to their constituencies than to outreach beyond them. At the margin, I believe both groups could do more to **engage across lines**, for example by including noted individuals from the other sphere in academic conferences or policy brainstorming sessions where ideas are being explored. Think tanks and industry or development advocacy groups can also play a part in helping bridge these gaps and certainly in Washington DC I know a number who do this extremely effectively.

A lot can also be done through dialogue between governments that draws on high quality agricultural economics research. I am thinking here of the big contribution made by the **intergovernmental organizations** that work in the field, including the OECD with its annual PSE/CSE calculations and annual policy monitoring reports as well as the World Bank which has produced some powerful analysis on international agricultural trade and has a broader reach into the developing world. Much of this work is done “in-house” by these organizations but they do contract some work from noted agricultural economists from other institutions. Not everybody agrees with the conclusions of the work done in these bodies but most serious commentators respect the general quality of the work. A critical advantage of these intergovernmental organizations is that they have an automatic impact in governments because they constitute the governing structures of the organizations and their materials are directed to the relevant parts of the member bureaucracies. There are times when the politics makes it difficult for these organizations to publish their work in a timely fashion without it being subject to pedantic editing demands which can blunt the message. On the whole though, high quality material has been produced and publicized through these organizations. I was struck while doing work recently for IFPRI by just how influential this sort of work has been with key stakeholders, even those who did not agree with all of it.

As well as the PSE work and monitoring reports from the OECD I recall that some excellent analytical work was done by the OECD on the hotly-debated subject of “**multifunctionality**” which excited considerable passion among its advocates and detractors. After much debate the OECD was empowered to elucidate the subject and produced material which calmly tackled the issues and produced conclusions which acknowledged the merits of non-market objectives for agriculture but concluded that generally they were not effectively pursued by market-distorting

interventions. Equally useful work is now being produced by the organization on the controversial subject of **biofuels**. I consider these organizations provide a service which is enormously valuable to the cause of reform and would encourage those of you here today from governments to support and safeguard open engagement in the work of these organizations, keeping politically requests for editing and publication delays to a real minimum.

These days **NGOs and advocacy groups**, especially those in the environmental and development fields, also have a bigger influence recently on public opinion and indirectly on governments through their research and campaigning on agricultural policies. Here the opinions of stakeholders tend to be more polarized on the quality of the research but certainly some of these groups produce impressive materials. But where poor quality research is advocated (and we all remember some good examples from Seattle and since!) I suggest that researchers have an opportunity, and arguably an obligation, to go public with their assessments.

Another development which agricultural economic researchers need to have in mind is the desirability of broadening research collaboration where necessary to have a more **inter-disciplinary reach**. Subjects like climate change, biodiversity and water management, for example, are hugely important issues for the future of agriculture but effective policy in these areas needs to combine the best economic and scientific analysis. I was impressed with work being pioneered in Australia between climate and economic modelers and on innovative market-based policy instruments in natural resource management programs. I am sure similar work is underway elsewhere and will be increasingly important.

### **Concluding message?**

Despite the slow pace of reform in agricultural and agricultural trade policies across the globe, I am encouraged by the trend towards transparency and debate in today's inter-connected world. Nothing is more helpful to good public policy making than access to reliable information on the costs and benefits of alternative approaches. If this information is in the public domain, so much the better.

In a year when Paul Krugman has been awarded the Nobel Prize while also serving as a great force for popularization of economics through his columns in the New York Times, I think we should take comfort in the knowledge that eventually the great market place for ideas does function reasonably well.

I would certainly encourage those of you who have an interest in applied agricultural economics to keep at the task. There is much to be done. We should not make too light of the tough politics of agricultural policy reform. All countries have their policy sacred cows (and I choose

this bovine reference advisedly here in Canada!). But change can be achieved. In both my country and yours recent policy trends in grains export policy have been encouraging.

I was struck when I worked at the OECD in the mid 1990s by the power ideas can have when they take hold. The particular example I will use is of our Swedish colleagues who arrived painfully at their own conclusion that their interventionist policies had failed and needed to be changed dramatically. Unfortunately for the cause of agricultural policy reform, broader considerations associated with Sweden's application to join the European Communities meant that reform steps had to be reversed (for example with the retention of dairy quotas) to comply with the European "acquis". Despite this setback, the Swedish policy consensus continued to hold to the reform arguments it had embraced and Sweden went on to become and remain a determined voice in debates within the EU about reform of the Common Agricultural Policy.

For those of you from the academic world, I hope you will encourage your most promising students to focus on the work that needs to be done in the policy world, either through applied research or through careers in public service. And for those already in government and agricultural economics research fields, let's keep working at unfinished business.

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