

Has “cooperation” lost its luster? Understanding the evolution of policy and practice in agriculture, the environment and rural communities

A proposed set of track sessions for the 2005 AAEA Annual Meetings in Providence, Rhode Island, as organized by the Institutional and Behavioral Economics Section of the AAEA

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Objective of the track

During the 2004 AAEA meetings, IBES members met and by consensus, chose the following theme for its 2005 track proposal: *Has “cooperation” lost its luster? Understanding the evolution of policy and practice in agriculture, the environment and rural communities.* The objectives of this track proposal are based upon this theme. The primary objective of the track is to present a series of conference sessions that examine “cooperation” from a range of perspectives and research settings. Second, this track is intended to demonstrate the breadth, the depth and the practical, problem-solving types of analyses that can be achieved through the application of institutional and behavioral economic theories and methods. Finally, this track is intended to heighten the visibility and credibility of the IBES.

Target Audience

Though this track is being sponsored by IBES, the membership of this section firmly believe that institutional and behavioral economic thought, theory and practice can and should have a central role in the discipline and practice of agricultural economics. The general nature and timeliness of the track’s theme is intended to appeal to a broad cross-section of the AAEA’s membership. The belief that institutional and behavioral economics should and often does permeate much of the profession’s problem-solving and policy-oriented research motivates the Section’s desire to present a set of track sessions that will be of interest to many members of the association.

Number and Type of Sessions Requested

As elaborated on the following pages, this track proposal includes 4 organized symposia, 1 free session and 2 selected paper sessions. All proposed sessions are for Subject Code #10 – Institutional and Behavioral Economics.

Organized Symposium 1: “An Institutional and Behavioral Retrospective on BCA of Three Natural Resource Projects”

Organizer: Fred J. Hitzhusen, AEDE, OSU

Moderator: Fred J. Hitzhusen, AEDE, OSU

Benefit cost analysis is a long standing analytical tradition rooted in neoclassical micro economies and welfare economics that purports to estimate the social benefits and costs of alternative programs and projects. It has been criticized for its assumptions of constant marginal utility of money income, hypothetical compensation, hypothetical WTP/benefit capture issues in CVM non-market estimation, costless transfers, exclusive self-interest behavior and simplified or naïve notions regarding property rights and collective choice mechanisms. The following three papers address these criticisms through retrospective institutional and behavioral economic analysis of a dam removal project in Northwest Ohio, two river restoration (dam and toxic sediment removal, greenways, zoning, improved septic systems, etc) projects in Eastern Ohio and a hydro-electric reservoir sedimentation project in the Dominican Republic:

1. Stated vs. constructed preferences (mail survey vs. structured elicitation groups) in valuing removal of the Ballville Dam in North Central Ohio, Sarah Kruse Ph.D. candidate, AEDE, and Joe Arvei, Prof., SNR, OSU.
2. Relaxing the constant marginal utility of income and hypothetical compensation assumptions and applying an institutional approach to benefit capture in valuation of river restoration efforts in Eastern Ohio. Ashraf Abdul-Mohsen Ph.D. candidate, F.J. Hitzhusen, Prof. and Radha Ayalasomayajula, Research Assoc., AEDE, OSU.
3. Economics of erosion control in the Dominican Republic Valdesia watershed: An Institutional and Collective Choice Retrospective of an Earlier BCA, Adam Daigneault, Ph.D. candidate, AEDE, and Dinissa Duvanova, Ph.D. candidate, Poly Sci, OSU.

Discussion to follow these brief presentations will emphasize the elaboration of implications for future economic analysis of natural resource projects and public policy recommendations.

Organized Symposium 2: “Conserving Spatially Dependent Environmental Resources”

Organizer: Gregory M. Parkhurst, Mississippi State University

Moderator: Gregory M. Parkhurst, Mississippi State University

The benefits provided by environmental protection programs often depend on the spatial allocation of resource use or protection within the landscape. For example, a conservation program that conserves 20 parcels from a 100-parcel landscape could result in numerous configurations, in which each configuration may provide a different level of environmental benefits and costs. Further, the institutions in which environmental protection programs are administered, such as voluntary participation, external costs, and distributional equity, impacts the effectiveness of conservation programs. This session focuses on the spatial allocation of resources within three different institutional settings.

This research is particular timely given the current controversy surrounding government commodity payments and the continual demand for improved environmental amenities. A possible solution and response to both situations is to focus on designing conservation incentives and institutions in which dollars that are currently allocated to commodity payments continue to accrue to agricultural landowners in the form of conservation payments. This research focuses on this objective. The first presentation —“Dumb Subsidies, Smart Subsidies” compares and contrasts several different incentive mechanism designs. The second presentation —“The Impacts of Alternative Institutions on Distributional and Environmental Efficiency in Environmental Programs” examines alternative institutions for equitably allocating conservation dollars across all landowners. The third presentation —“Spatial Externalities and the Common-Pool Resource Mechanism”, looks at the influence of spatial externalities on common-pool resources.

1. “Dumb Subsidies, Smart Subsidies” by Gregory M. Parkhurst, Department of Agricultural Economics, Mississippi State University, and Jason F. Shogren, Department of Economics and Finance, University of Wyoming

2. “The Impacts of Alternative Institutions on Distributional and Environmental Efficiency in Environmental Programs.” Jenny Buller, Darren Hudson, and Greg Parkhurst, Department of Agricultural Economics, Mississippi State University.

3. “Spatial Externalities and the Common-Pool Resource Mechanism” by Kurt Schnier, Department of Environmental and Natural Resource Economics, University of Rhode Island

These three presentations will be the basis for an extended discussion on the interdependent relationships between the institutional context and agricultural land use policy prescriptions.

Organized Symposium 3: “Implications for Outreach Education of an “Exchange Perspective” Versus an “Institutional Perspective” on Governance”

Organizers: Roy R. Carriker and Burl Long, Professors, Food and Resource Economics, University of Florida.

Public Policy Education has been a traditional part of outreach education sponsored and conducted by economists at land grant universities around the country through their Cooperative Extension programs. The methods for Public Policy Education that have prevailed over the years presume an exchange perspective on politics and government. The exchange perspective is built around ideas of coalition building and voluntary exchange among self-interested political actors. It assumes that individual action depends on the answers to four questions: What are the issues? What are the alternatives? What are the consequences that will follow from each alternative? What is the value, in terms of preferences of the decision maker, of the consequences?

Another tradition of education regarding public policy and governance has been evolving during recent years. Various titles, “Collaborative Leadership,” “Public Conflict Resolution,” “Collaborative Problem-Solving,” and other, similar titles, this emerging tradition of outreach education reflects an institutional perspective on collective action and governance. This view of collective action is built around ideas of identities and conceptions of appropriate behavior. It assumes that individual action depends on answers to questions of the sort: What kind of person am I? What kind of situation is this? What does a person such as I do in a situation such as this? Collective action is based on combinations of answers to those questions.

1. “Perspectives on Governance and Implications for Public Policy Education.” Roy R. Carriker and Burl F. Long, Professors of Food and Resource Economics, University of Florida.

2. “Teaching Collaboration and Collective Action in Tropical Agricultural Conservation: Drawing on Cultural Anthropology.” Jon Dain, Assistant Professor, Center for Latin American Studies, University of Florida.

3. “Training in Collaborative Leadership: The North Carolina Natural Resources Leadership Institute.” Dr. Steve Smutko, Director, North Carolina Natural Resources Leadership Institute, North Carolina State University.

4. “Public Policy Education: the Issues, Alternatives, and Consequences Approach.” Craig Infanger, Extension Professor, University of Kentucky.

The panel, having introduced examples of established and successful programs for outreach education on public policy and governance, will lead an interactive question and answer discussion with session attendees.

Organized Symposium 4: “Behavioral Economics and Agricultural Marketing and Policy”

Note: This symposium is being co-sponsored by FAMPS and IBES

Organizer: Jayson Lusk, Purdue University

Moderator: Jason Shogren, University of Wyoming

In recent years many of the assumptions underlying neoclassical economics have come under attack by psychologists and behavioral economists. One of the major disagreements between psychologists and economists is the notion of preferences; economists typically assume preferences are relatively stable and known with a high degree of accuracy to the individual, whereas psychologists view preferences as malleable, contextual, and constructed on the spot. If preferences are indeed malleable, policy analyses that take preferences as given are likely to lead to erroneous conclusions as policy itself might affect preferences. Further, a number of recent findings in psychology suggest that individuals are tyrannized by increased choice; individuals are sometimes less happy when provided more choice, a finding which contradicts standard economic assumptions. This session will investigate the criticisms from psychology and behavioral economics, evaluate the criticisms, and draw implications for food marketing and policy. In particular, attention will be paid to the potential implications of such behavioral findings on food labeling policy, cost/benefit analysis, and food marketing.

Panelists:

1. Bailey Norwood, Oklahoma State University – “Is Less Choice Better than More?”
2. Darren Hudson, Mississippi State University – “Preference (In)Stability”
3. Jayson Lusk, Purdue University – “Government Policy and Preference Endogeneity”
4. Jason Shogren, University of Wyoming – Discussant

Free Session 1: “Codifying and the Classification of the Domain of IBES in AAEA and Beyond: The Future of IBES”

Organizers: Fred J. Hitzhusen, AEDE, OSU and James A. Sterns, FRED, UF

The objective of this free session is to continue the Section’s discussions about the IBES’ intellectual domain, it’s common threads of theory and methods, and it’s general place within the AAEA’s “Big Tent.” To give this session some structure and a starting point for discussion, three presenters will briefly introduce new and significant books that represent major areas of interest for IBES members. James Sterns, University of Florida, will discuss “Conflict and

Cooperation” by A. Allan Schmid. Fred Hitzhusen, Ohio State University, will discuss a soon-to-be-released book on understanding institutional diversity by Elinor Ostrom. Gary Lynne, University of Nebraska, will discuss “Unto Others: The Evolution and Psychology of Unselfish Behavior” by Sober and Wilson.

Selected Paper Session 1, Subject Code No. 10 – Institutional and Behavioral Economics
Selected Paper Session 2, Subject Code No. 10 – Institutional and Behavioral Economics

These selected paper sessions will be filled with papers that will be reviewed and accepted through the process coordinated by the Selected Paper Committee of the AAEA. This year, the IBES, with the support of Dawn Thimany, Chair of the Selected Paper Committee, has proposed that a new subject code be added to the Committee’s list and that papers submitted to this new subject code be reviewed by representatives of the IBES. Preferences will be given during the review process for papers for these two sessions that are related to the overall IBES Track theme.