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AN ANALYSIS OF
STRATEGIES EMPLOYED BY THE AMERICAN SOYBEAN ASSOCIATION
IN THE PROVISION OF HIGH EXCLUSION COST GOODS:
A TRANSACTION COSTS APPROACH

By

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ABSTRACT

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Interest groups influence public choice. Their influence is affected by economic and political contingencies and group leader effectiveness. A group leader's primary responsibility is organization maintenance.

Leaders obtain group member contributions of greater value than organization investments required to induce them. Leaders employ contributions to influence government agencies they judge vulnerable. Leader strategies obtain new agency provided goods at the lowest possible transaction cost.

A model entailing private market economic and transaction cost concepts is employed in analyzing group leader, member and government agency behavior. Data were obtained from government documents; agency/interest group correspondence; interest group, farm and general news media; secondary sources; and unstructured interviews with concerned actors.

Leaders exploit individual uncertainty, dissatisfaction and decision processes in inducing contributions. Agency vulnerability is due to programmatic and organizational

attributes. Group leader/agency interdependencies entail the bargained exchange of material and political resources. Agencies exchange policy reorientations for group leader political support.

DEDICATION

This effort
is dedicated to
Patricia and George Soroko
who taught me of the utility inherent
in grant exchange.

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CHAPTER 1: INTRODUCTION

1.1 Identification of the Problem

The U.S. Agency for International Development (AID), the USDA's Foreign Agricultural Service (FAS), and the American Soybean Association (ASA) provide high exclusion cost, non-optional impact goods. The nature of these goods forms the basis for the interdependencies between these organizations.

AID provides economic assistance to less economically developed foreign countries. This assistance is financed by tax revenues. The utility or benefits which the tax paying public receives from AID's activities may include:

greater economic opportunity for U.S. citizens due to increased effective demand for U.S. exports;

heightened U.S. political influence internationally contributing to increased U.S. economic and military security, the thwarting of communist aggression and greater personal safety for U.S. citizens traveling abroad; or,

feelings of satisfaction at alleviating famine, poverty and illiteracy in developing nations.

Development assistance benefits are available to all U.S. citizens if they are available at all. It would be prohibitively costly for the government to exclude individuals from enjoying these benefits in order to sell them for a market determined price. Thus, this assistance constitutes a high exclusion cost good. Because the good cannot be sold, the financing of high exclusion cost good provision necessitates reliance on tax revenues. Absent the coercion of national tax laws there is no private profit incentive for an economically rational individual to voluntarily contribute to development assistance if she will enjoy its benefits whether she contributes or not. Non-contributing individuals who enjoy high exclusion cost good benefits are referred to as free riders.

Development assistance affects individuals differently based on their preferences and perceptions. The above described benefits may not be enjoyed by tax paying citizens if they:

perceive that nation recipients of assistance don't always support U.S. economic or geopolitical objectives;

prefer to employ assistance monies in resolving domestic poverty, malnutrition and homelessness;

feel development assistance increases foreign nation economic competitiveness and reduces the economic welfare of U.S. citizens; or,

perceive assistance as wasteful.

These perceptions may cause AID activities to hurt or disturb U.S. taxpayers. However, apart from renouncing U.S. citizenship, there is very little that one individual can do to avoid this disutility. Because individuals with differing preferences are unable to choose the amount or quality of development assistance that gives them the most utility, this assistance is a non-optional impact good.

As a result of public decisions and ASA lobbying in the mid-1950's, the USDA's Foreign Agricultural Service presently contributes financing to ASA activities aimed at increasing foreign demand for U.S. soybean exports. Increased foreign demand is a high exclusion cost good. All soybean producers, and all Americans, may benefit from increased foreign demand for domestic soybean production due to higher soybean prices and the role increased soybean exports would play in reducing the U.S. foreign trade deficit. However, public tax supported financing of a private organization involved in both economic and political activities, such as the ASA, may create disutility for individuals not in agreement with the organization's political positions. Other tax payers may feel that increased soybean exports result in higher domestic cooking oil, chicken and pork prices. These examples illustrate the FAS high exclusion cost good's non-optional impact character.

In 1985 a group of U.S. soybean producers changed AID technology transfer activities because of their perceptions that this use of public financing hurt their interests. Some American farmers felt that by providing U.S. developed production technologies to foreign farmers, these farmers would produce commodities produced by U.S. farmers, rob U.S. export markets, and contribute to decreased domestic net farm incomes.

ASA leaders were instrumental in fostering these perceptions and in organizing the political voices of soybean producers who held them. The ASA provided political representation, a high exclusion cost, non-optional impact good. If ASA political representation increased soybean production returns for one ASA member, it created benefits for all soybean producing members and non-members alike.

Other individuals and ASA members may not agree with ASA political objectives and for them ASA activities may create disutility. For example, some individual's may feel that AID's contributions to agricultural development in poor nations should be provided for humanitarian reasons regardless of their impact on the U.S. economy. These individuals might find ASA political activities disturbing.

The non-optional impact of the above cited goods forms the basis for conflict in the public decision process. Uncertainty concerning development assistance or export expansion activities heightens the potential for disagreement between elected officials, interest groups, government agencies, farmers and the public. Uncertainty exists as to the proper form of these activities, who should undertake them, how they should be financed, and what impact they have.

ASA leadership took advantage of this uncertainty in influencing public decisions concerning development assistance and export market promotion. ASA leaders may have influenced decisions to increase member net farm incomes in line with the association's stated purpose. It is also possible that ASA leaders employed these issues to increase the organization's resources through member contributions or access to government financing. Evidence shows that at the time of the ASA campaign against AID activities, for example, reduced farmer check-off payments forced a reduction in ASA investments to market promotion activities (see

Appendices IV and VI).

ASA leaders needed political and financial resources to influence public decisions. In obtaining these resources, ASA leadership confronted free rider ASA members and non-members. Free riders would benefit from ASA activities without incurring the costs of supporting them. If enough ASA members withheld support in hope of riding free, ASA leadership would have a smaller stock of valuable political and financial assets to invest in lobbying activities. ASA influence and organization strength would be diminished.

Mancur Olson in his Theory of Collective Action (1965) described the role of selective incentives in motivating potential free riders to contribute to large, latent group activities. Group leadership provides selective incentives exclusively to individuals who aid in financing the group's operations. They are economic assets which save the contributing individual more than the cost of her contributions. Olson uses the American Farm Bureau Federation's use of car and health insurance and other low cost farm business related services as examples of selective incentives. Farm Bureau membership, and thus access to these inexpensive assets, requires periodic financial contributions in support of the Farm Bureau's operations, including lobbying activities. In this way, free rider tendancies are overcome.

Olson's selective incentive is a tangible, economically based incentive. Its effectiveness is due to the producer's assumed cost limiting, profit maximizing motives. Selective incentives do not rely on unique, individual, situational aspects in terms of their motivational power. In Olson's terms, the provision of selective incentives is not only necessary to produce collective action, but is sufficient (Gamson and Fireman 1979).

Olson's theory also describes a relationship between group size and individual contributions. Individual contributions are economically rational if the group is small enough to allow the contributing individual to experience net utility gains from collective good provision eventhough the good is shared by all group members. In some cases the high exclusion cost good may be so valuable to an individual that she is rational in bearing the entire cost of good provision.

This paper develops an alternative theory based on the impact which antecedent social, economic and political variables have on free rider and group leader behavior. A basic tenet is that dissatisfaction caused by reduced net farm incomes led individual farmers to seek problem resolution alternatives. ASA leadership used this dissatisfaction, and group member uncertainty as to the actual cause of decreased net farm incomes, to obtain increased political and financial resource contributions from members and the government. To obtain these resources, group leaders focused member attention on the policies of specific government agencies. It is hypothesized that by identifying an effective strategy, ASA leaders succeeded in overcoming the free rider problem in providing high exclusion cost political representation and market promotion services to association members. In contrast to Olson's theory, the ASA strategy did not rely on the use of selective incentives.

Over time nations may develop rigid economic institutions that contribute to economic decline. Special interest groups demand special treatment from government and government realizes its own interest in granting this special treatment. This process can cause public resource allocations to have a different and less desirable effect than what was intended.[1] Certain interest group leaders may gain influence out of proportion to the number of constituents they represent. This leads to a relative decline in the influence of other interests. If the strategies which special interest groups employ in obtaining preferential treatment can be understood, participants in the public decision process should be better able to guard against important abuses.

The important figures in the analysis are the interest group leader, the group member, and the government agency bureaucrat. Each reacts to certain environmental conditions in pursuing improvements in their situation. In maximizing net advantage or gain each strives to minimize transaction costs. Transaction costs are traditionally defined as those costs other than price which are incurred in trading goods and services. Here transaction costs are defined as costs inherent in the transfer of information, rights, privileges, obligations and other costs and benefits. Transaction costs are incurred in relations which take place between and within organizations or groups.

1.2 Introduction to the Case Studies

This study considers three organizations. One of these organizations, the American Soybean Association (ASA), describes its primary purpose as the maximization of U.S. soybean producer profits. It is a private, not for profit, entity. The other two organizations are governmental and to varying degrees seek to strengthen the U.S. agricultural economy, the agricultural economies of developing nations, and as a result, the world economy. The Department of Agriculture's Foreign Agricultural Service (FAS) finances foreign market development and provides information services to promote the export of U.S. agricultural commodities. The U.S. Agency for International Development (AID) is the foreign economic assistance agency of the U.S. government. These organizations are supported with resources contributed by farmers (the ASA) and taxpayers (all three).

1.2.1 The American Soybean Association and Foreign Aid

Opposition to U.S. economic assistance to developing countries has increased among U.S. commodity interest groups in recent years. This opposition has focused on those development assistance investments which are alleged to help developing country farmers compete with U.S. farmers in international markets. Farm lobbies point to decreased U.S. farm sales to poor countries and decreased U.S. market share due to increased exports from Brazil and Argentina as examples of the negative impact of U.S. foreign assistance.

Following World War II, the growth and welfare of U.S. agriculture slowly became more dependent on foreign demand. During the 1960's and 1970's the origin of foreign demand shifted away from the developed economies to the centrally planned economies, the oil-exporting and newly industrialized countries and the less developed countries. For example, between 1961-1963 and 1981-83, 49% of the growth in net feed grain imports originated in developing countries (de Janvry and Sadoulet 1986).

Growth of import demand in developing countries is most significantly affected by broad based income growth and improved industrial good export performance. Since the majority of developing country populations depend on agriculture for their livelihood, broad based income growth can result from increased agricultural productivity and its contribution to higher net farm incomes.

Agricultural development can also provide an effective base from which industrial expansion can be pursued. Increased farm productivity leads to lower urban food prices and nominal wage goods. Concurrently, rural labor may be released for urban and industrial employment. The producers' adoption of high yielding, low cost production technologies is an essential component of this process.

Increased agricultural efficiency can also lead to foreign exchange savings as domestic production replaces imports. These savings can finance capital asset imports to spur industrial growth. While import substitution may lead to decreased cereal imports in the short term, increased employment due to industrial expansion and increased net farm incomes can result in individual dietary enrichment. The associated increased demand for meat, milk, eggs, feedgrains and cereals usually grows faster than domestic productive capacity. This results in increased demand for agricultural commodity imports.

Because poor country agricultural development can contribute to increased effective demand for U.S. farm products, it would seem that a commonality of interest exists between U.S. and developing country farmers. Nonetheless, the American Soybean Association, an organization representing U.S. soybean producers heavily dependent on export markets, undertook a public relations and petition campaign aimed at curtailing U.S. assistance to developing country farmers. The campaign resulted in institutional innovations within the University of Illinois's International Soybean Program and the U.S. Agency for International Development.

There is substantial evidence indicating that these changes have little real potential to increase U.S. soybean exports. Other aspects of U.S. government policies with more apparent potential effect on soybean exports, such as the Federal budget deficit's impact on the value of the dollar and new or continuing foreign policy based trade embargoes, did not receive attention. ASA leadership was successful in motivating group member participation in the pursuit of policy changes with relatively little apparent potential to improve their welfare.

1.2.2 The American Soybean Association and Export Market Development

United States agricultural production was geared to high levels during World War II. Prices were good, generally above established price support levels. World agricultural production was down sharply. Financial constraints which had inhibited the adoption of new production technologies in the 1930's disappeared. Farmers adopted technological innovations and substituted capital for labor at a rapid pace. As a consequence, total farm output increased by 25 percent in the 1940's. Although farm prices declined in the 1950's farmers continued to modernize their production activities. During this decade total farm output rose by 20 percent (Cochrane 1979).

In 1952 foreign demand began to contract with the end of the Korean War and the phasing out of post-World War II relief and rehabilitation activities. Farm prices declined coming to rest at levels established under the major commodity price support programs. These levels were well above the market clearing equilibrium farm price (Cochrane 1979).

The level at which farm prices were supported during the 1950's encouraged the farm sector to produce more total product than the domestic and foreign commercial market could absorb at those prices. Government policy makers, fearful of the short term consequences of removing federal price and farm income supports, continued to maintain these price support levels. This contributed to the farm economy's development of chronic excess production capacity (Cochrane 1979).

The shipping of agricultural products to developing nations has always been related to agricultural surplus disposal. U.S. relief programs made use of American surpluses to help Europe recover after World War II. As domestic surpluses continued to accumulate a means was sought to expand surplus distribution programs. Between 1949 and 1954 several bills were introduced into Congress toward this end. Finally, in 1954, congressional leaders of both political parties and the farm organizations, including the American Farm Bureau Federation and the National Farmers Union, agreed on legislation to encourage non-commercial exports of farm surpluses. This legislation, the Agricultural Trade Development and Assistance Act (Public Law 480) was passed in July of 1954 (Cochrane 1976).

Public Law 480 expanded and consolidated under one authority (the Department of Agriculture) an array of surplus disposal and foreign aid programs. Its enactment marked a turning point in government export policies and programs. Previously foreign aid programs were viewed as emergency measures aimed at ameliorating critical food shortages and assisting economic reconstruction. This new legislation recognized both excess productive capacity in U.S. agriculture and dollar shortages in food deficit nations. It was these dollar shortages that impeded commercial agricultural commodity imports from the U.S. (Cochrane 1976).

The foreign currency sales provision, Title I of P.L. 480, was the program's core. In the years 1956-1968 more than 50 percent of P.L. 480 exports would be moved under this authority. Title I authorized the sale of surplus agricultural commodities for foreign currencies to "friendly nations" with the stipulation that normal U.S. marketings and world prices would not be disrupted (Cochrane 1976).

Program emphasis focused on the expansion of foreign trade in U.S. farm commodities. P.L. 480 included provisions for using program generated foreign currencies in developing new markets for U.S. farm products, promoting balanced economic development and trade among nations, and other educational, scientific and diplomatic activities. Under the program it became possible to undertake local currency financed research toward the improved marketing of U.S. farm products abroad but not on methods for increasing foreign nation farm productivity (Heady 1962).

Setting up sound market development programs and finding personnel for administering them was one of the program's first implementation problems. P.L. 480 directed the USDA's Foreign Agricultural Service to rely on private organizations in undertaking market development activities.

This policy led to the development of new and unprecedented institutional structures within the USDA/FAS and between this agency and agricultural commodity groups.

Using local currencies from surplus agricultural commodity sales to Japan the FAS sent the Executive Vice President-Secretary-Treasurer of the ASA to Japan to undertake the first cooperative market promotion mission sponsored by the FAS. Market development work resulted in the formation of the Japanese-American Soybean Institute. On the basis of this individual's recommendations the FAS established a contract with the ASA in 1956. The contract authorized the ASA to receive P.L. 480 generated local currencies for use in promoting Japanese consumption of U.S. soybeans. Eventually FAS/ASA contracts would be established to promote U.S. soybean imports in Europe and the Middle East (Bolling 1982).

1.2.3 Case Study Summary

In the above cases ASA leadership was successful in providing a high exclusion cost, non-optional impact good. In the case of ASA's attack on U.S. development assistance activities the good was political representation resulting in policy changes within AID. These changes restrict assistance to developing nation production of commodities in surplus on U.S. or world markets. They also allow AID resources to be used for developing foreign demand for U.S. soybeans.

In the case of the FAS/ASA market promotion contract, ASA political representation gained ASA leaders access to public, market promotion monies. Under PL 480 legislation these monies were intended to increase effective foreign demand for U.S. soybeans and, as a result, higher prices for soybean producers.

1.3 Analytical Framework

Here we will define some of the terms employed in the analytical framework. Good will be used to denote a commodity or service which has utility for someone. The term will be employed in a non-normative sense. Non-optional impact goods are consumed by all who are members of a given community, country or geographical area. Individuals are exposed to or consume non-optional impact goods whether the good has utility for the individual or not. The inability of groups or individuals to avoid the effect of non-optional impact goods gives rise to conflict as to who should determine good quality and quantity (Schmid 1978).

Exclusion costs are costs incurred when a person or group possesses the nominal right to prevent another person or group from using a resource or good. When the exclusion costs are low the party seeking the good knows that it cannot be obtained without the consent of the good's owner. This enables the good's owner to extract a payment for this consent. In some cases this exclusion is difficult to enforce. For example, it is virtually impossible for the government to exclude non-taxpaying individuals from enjoying law and order or defense (Olson 1982).

Interdependence brought about by the high exclusion cost nature of a good springs from the results which individual actions have on the supply of the good to others (Schmid 1978). A good's high exclusion cost character means that the good's provision to one individual automatically makes it avalaible to others. Good consumers thus have no market incentive to voluntarily pay for the good. The non-contributing user of a high exclusion cost good is referred to as a free rider. When potential high exclusion cost good consumers consider whether to contribute to the good's provision each consumer has an incentive to withhold contributions and gamble on the good being provided by others who will contribute. This free rider phenomenon has the potential to inhibit the provision of high exclusion cost goods (Olson 1965).

An interest group is an organization of people which seeks to influence governmental decisions without attempting to place a member in a formal government position (Ziegler 1972). The groups dealt with can be described as latent groups (Olson 1965). Latent groups are large enough so that individual actions are unknown by other group members. If one member does or does not contribute to the provision of a good no other member will be affected. Because an individual in a latent group cannot make a noticable contribution to any group effort, and since none will react if she makes no contribution, her incentive to contribute is diminished.

The effectiveness of a strategy depends on the strategy's cost and its success. Given a particular objective the least cost way of achieving the objective is the most effective. Seeking an effective option aids choice between strategy alternatives but does not answer whether any of the alternatives are worth doing. Given the intangible nature of many costs incurred in the public decision process the effectiveness of a given strategy is evaluated by intuitively assigning some value to non-monetary costs. Finally, failing strategies are the least effective.

A strategy entails planning and managing resource allocations to gain the most advantageous position before confronting adversaries in the public choice process. Strategies may elicit contributions from group and non-group members. A contribution helps cover the cost of group or collective action. Collective action entails amassing these contributions toward attaining an objective. Participation is a form of contribution.

1.4 Study Scope

Selection of this topic recognizes the growing importance of interest groups in the governmental process. The study explores the role of interest groups in general but ASA relations with AID and the FAS provide material for the case studies. The analysis deals with federal agencies and public decisions at the national level. This is appropriate in view of the impact which national decisions have on agricultural producers. In this respect national decisions concerning the political economy of the international agricultural marketplace have become increasingly important.

The model illustrating interest group/government agency relations in the policy process is meant to apply to other groups and agencies besides those described in the case studies. A recent Government Accounting Office (GAO) audit of Public Law 480 commodity transportation policies illustrated the influence concentrated interests can have on the Maritime Administration's program[2].

The research uses analytical concepts from three disciplines: economics, political science and sociology. Concepts of bargaining, resource exchange and cost considerations are gleaned from the analytic theory of economics. Political science theory provides insight into the public institutions and policy process which interest groups influence. Sociological theories help describe individual behavior within groups and how group membership affects this behavior.

1.5 Research Objectives and Approach

By describing and analyzing how ASA leadership was successful in these two areas the knowledge base concerning group and individual group member behavior will be enhanced. This is important for academic reasons and because single commodity interest groups influence agricultural and related economic policies. The description of how the ASA came to receive government funding for soybean export market expansion and how commodity groups attained a greater influence over U.S. development assistance policy contributes to the understanding of farm organization roles in shaping the world economy.

Specifically, the study's research objectives are:

1) To review a part of the literature relevant to interest group leader, member and government behavior.

2) To develop a conceptual model of the relevant public decision area. The model indentifies variables which affect group and government agency behavior.

3) To describe the process by which public decisions were made concerning AID and FAS policies.

4) To use the model to analyze the public decision process as regards interest groups and government agencies.

5) To evaluate the model's usefulness, explore the implications of the research and identify areas for further research.

The hypothesis will be tested by using the two described case studies. Case studies are usually intended to stimulate reflection or test hypothesis (Seltiz 1959). As with most case studies, the two selected possess characteristics which render them incomparable. However, these cases do have enough features in common with other cases of interest group influence on government policy that theoretically relevant generalisations can be made. Although the two case studies may not be typical, the series of propositions employed in testing the hypothesis contain typical elements.

Data has been obtained from a number of primary and secondary sources. In addition, information was gathered from several concerned actors or participants through unstructured interviews and letters. Although the study has not discovered the full details of individual participation in the policy process, or in the attainment of high exclusion cost non-optional impact goods, the amount of available information employed in the study is judged adequate for the formation of tentative conclusions concerning the thesis being tested.

1.6 Study Organization

The study begins with a review of the relevant literature on the governmental process stressing concepts which inform the study's focus. Many of these concepts will then be employed in the study's conceptual background. The conceptual background will describe the role of interest group leaders, group members, government bureaucrats, elected officials and public opinion in the public decision process.

A conceptual model will be created which specifically identifies and describes the important variables highlighted in the conceptual background. It will portray how these variables are interrelated. The result will be a theoretical model of the public decision process.

The model will be tested in application to two case studies. As an introduction to the case studies an informational chapter will describe the soybean complex focusing on supply and demand characteristics, the history of soybean production, and relevant political aspects. After the cases have been described the model will be evaluated as to its relevancy.

Given the intangible character of the variables included in the theoretical model testing will only provide insight as to the relevance and validity of the concepts which it encompasses. The model is a heuristic tool and may prove useful in focusing attention on important areas of the policy process. A final summary will describe some implications of the research and identify areas for further research.

Notes:

[1] Mancur Olson forwarded this idea in a 17 August 1987 Wall Street Journal article entitled U.S. Economic Role May Face Long Decline.

[2] Transportation of Public Law 480 Commodities-Efforts Needed to Eliminate Unnecessary Costs (GAO/NSIAD-85-74, June 1985).

CHAPTER 2. SUMMARY REVIEW OF RELEVANT LITERATURE

This review summarizes literature relevant to the study's focus on interest group strategies, group member behavior and group leader relations with government agencies.

2.1 Individual Motivations to Contribute to Group Activities

In The Logic of Collective Action (1965) Mancur Olson develops a group behavior theory based on economic concepts. He stresses the potential of free riders to inhibit the optimal provision of collective goods. Olson's collective good is one which when made available to one individual is concurrently made available to all others. In latent groups this character influences the interdependencies between contributors to collective good provision and non-contributors. Because both contributors and non-contributors will enjoy collective good benefits, rational individuals in large groups have no incentive to contribute to group initiatives. Non-contributors who enjoy collective good benefits are referred to as free riders.

Olson contends that free rider tendancies can be overcome by using low priced selective goods offered to contributing group members only. Low priced selective goods save group members more money than the cost of contributing to the group.

Olson links group member contributions to group size. He describes small group success in public good provision. In small groups, the effects of individual contributions to collective good provision are evident to group members. In certain small groups, some members benefit to such an extent from good provision that they are rational in bearing all related costs.

In intermediate groups, each member's contribution is perceptible, but no individual benefits enough from the good to assure its provision individually. Olson's small, intermediate and large groups are defined relative to member interdependencies and their impact on collective good provision. He does not focus on the number of group members.

In a paper entitled "Olson's Theory, A Critique, and an Alternative" (1975), Morrison plays down the role of free riders and group size. He focuses on individual utility and the antecedent variables which influence utility. His notion of reform utility involves an individual's perception that she deserves something which she is being prevented from obtaining. Societal structures, as opposed to individual qualities or behaviors, are perceived as blocking her aspirations. She feels wronged. This leads to a moral judgement as opposed to more simple feelings of individual consumption level inadequacy or disappointment. It encourages the idea that the elimination of wrongs being done can only be accomplished by changing social policies in ways that they should be changed. Participation in changing social policies has reform utility because it attempts to right a wrong. Participation provides utility even if the potential for impact is negligible. By contribution, the individual avoids the negative feelings of not contributing to needed societal change.

An important intermediary goal of social movement organizations is to create a public awareness of and sympathy toward their cause. This helps in recruiting role playing and dues contributing members. Group organizers foster the opinion that contributing to their organization is a viable means of obtaining the new problem solving good. This creates public sentiment conducive to the success of interest group strategies or tactics. Public decision makers are influenced by their reading of this public sentiment. Nonetheless, to be successful specific programs or policies suggested within this context must be compatible with existing and accepted ideologies and goals.

The existence of alternatives to voluntary contributions is also touched upon by Morrison. The perceived existence of a public evil contributes to a proposed new good's reform utility. Alternatives to incurring costs in the provision of a new problem solving good may not be available. This allows the individual to justify her moral incentive in that her contributions are at least not obviously irrational.

In Organizations, (1958) James March and Herbert Simon focus on private business organizations but put forward concepts applicable in the present analysis. They explain that a sense of common purpose in organization members leads them to defend each other against outside forces. This sense of common purpose is strengthened when members share the same goals.

March explains that industrial motivation theorists recognize that present satisfaction is often less important in influencing human behavior than the perceived relation between present alternatives and future states. Nonetheless, the lower the individual's present satisfaction level, the more she will search for alternative programs.

Search behavior may depend on an underlying belief that the environment is benign and that search will be reasonably effective. If the environment is perceived as malevolent or barren, search behavior will not follow decreased satisfaction. The most important single factor evoking the alternative of leaving an organization is the objective existence of serious work alternatives. The perceived availability of employment alternatives is a function of sex, age, social status, the economy's technological state, specialization (tied to length of service), and the visibility of other organizations. The work group itself may provide clues suggesting alternative action plans. However, the greater the habituation to a particular job, the less the propensity to search for alternative work opportunities.

2.2 Leadership Roles: Influencing the Individual, Dealing with the Environment, Maintaining the Organization

Brown focuses on the general farm organizations in "Interest Group Strength and Organizational Characteristics: The General Farm Organizations and the 1977 Farm Bill" (1978). He points out that keeping the organization together is the ultimate goal of farm organization leaders. The problems of organization maintenance are related to the number of members.

It is important to lobbyist viability that they convince group membership as to what is right. In addition, group members must see the benefits of membership. To accomplish this lobbyists emphasize communication and interaction. Newsletters, pamphlets, the media and individual participation in drawing up the group's annual policy resolution statements are examples of this approach.

Browne contends that lobbyist's expend considerable effort in convincing the rest of the organization of the lobbyist's wisdom and worth. Part of the effort is directed at acheiving internal support to boost the lobbyist's credibility before government. Membership sentiments must back up positions articulated by the lobbyists. Lobbyists feel that government officials are aware of grass-roots opinion.

The lobbying staff works with members in the formulation of the annual policy resolutions. They suggest which public policies to focus on. This process provides the lobbying staff an opportunity to predefine the lobbying agenda. They also have the occassion to appear before group leaders and explain what issues are of special urgency.

Browne explains that lobbyists view their responsibilities as more complex than simply promoting the goals of the organization. The job entails paying careful attention to the changing problems of a wide variety of public decision participants. In addition, most of the present day lobbyist's workload falls in the administrative arena. A vast amount of time is spent working with the bureaucracy in order to influence the bureaucratic input in writing and implementing legislation.

In "An Exchange Theory of Interest Groups" (1969) Salisbury develops the role of the political entrepreneur in organizing interest groups. These leaders are motivated by personal ambitions. They see membership contributions as sources of profits to be reinvested in lobbying activities.

Salisbury considers group origins and the role of specialisation in the creation of formal associations. These associations articulate a specialized group's interest and provide the individual with bargaining power in relations with other groups. He points out that the process by which individual values are altered partially explains group formation.

Salisbury describes data from two socio-economic sectors, agriculture and labor, which shows that group membership grows in times of comparative prosperity and declines during economic recession. In times of trouble membership dues are the first luxuries which hard pressed farmers sacrifice.

In discussing the benefits of group action Salisbury puts forward the idea of expressive benefits. Individuals join groups which provide structures through which they can articulate their values in public forums. Individuals derive benefits from the act of expression. For the organization, expressive benefits are the least costly to provide. They are also the least effective in maintaining group membership.

Salisbury argues that political entrepreneurs invest capital to create a set of benefits composed of material, solidary (associational) and expressive benefits. These she offers at a price to group members. The price may be as little as a supportive signature or as much as significant monthly dues.

Although Salisbury's paper focused on the initial organizer of the group. He holds that the entrepreneur or organizer's role is conceptually identical to that of ongoing group leaders. To maintain the organization the lobbyist must obtain sufficient membership support to allow her to provide member attracting benefits, pay overhead costs, and provide for her own wellbeing.

In The Functions of the Executive (1938) Barnhard focused his organizational theory on the role of leadership. He described organization structure, relationships between individuals within the organization and the important aspects of organization leadership.

Barnhard states that an organization leader's first responsibility is to ensure the organization's survival. Her role is to provide the proper mix of incentives and persuasion to motivate individuals to contribute to organizational objectives. This can only be accomplished by satisfying the members needs of association, participation, satisfactory working conditions, and material incentives. Through effective communications, and the development of a common interest perspective, leaders maintain among members the willingness to contribute to the organization.

March and Simon (1958) describe a combination of leadership responsibilities as regards organizational objectives. These include maintaining an awareness of the organization's environment and the cooperative system in which the organization operates. This is essential in the leader's identification of strategic factors that are exploited in fostering the organization's survival. The leader must also maintain a vitality of action among group members. This facilitates timely and appropriate member response to leader stimulus.

2.3 Individual, Intergroup and Intragroup Decision Making Costs

In <u>The Economics of Collective Action</u> (1970) Commons describes a transaction as a strategic economic activity where the wills of men meet. During this transaction, the terms of performance are agreed upon or performance is executed following rules previously agreed upon. With the evolution of governments, corporations and labor unions, simple exchange transactions came to include rationing, managerial and bargaining transactions. Rationing and managerial transactions involve authority and superior-inferior relationships. Bargaining transactions transfer ownership of corporeal property and other kinds of incorporeal and intangible property. Bargaining transactions in the political economy may transfer the intangible property of rights, priveleges and obligations as well as tangible costs and benefits.

In "U.S. Agriculture, Instability, and National Political Institutions: The Shift from Representative to Participatory Democracy" (1984) Bonnen states that changes in social values, communications, and political institutions have contributed to a fragmentation of the U.S. political and policy decision process as well as the nation's governing institutions. The standard operating procedures of Congress have changed. The effect of dismantling the old system has been to "open up" the political process in the sense that special interest group access to decision makers has increased. As interest group influence has grown the political process has been destabilized. Open conflict has increased while the institutional capacity to resolve conflict has been reduced. The social transaction costs, or costs inherent in the resolution of these conflicts, have also increased. These transaction costs often prevent Congress from operating effectively and lead to a shifting of decisions to the government bureaucracy or the executive branch. In addition, when decision processes become expensive due to increased transaction costs there is a tendancy for them to be dominated by power and to rely less on compromise.

In <u>The Rise and Decline of Nations</u> (1982) Olson contends that interest group leaders are attentive to transaction costs. This focus can affect the efficiency and economic growth of society. He reasons that if all members of society prosper from increased societal productivity it is logical that organizations seek to maximize that productivity to improve organization member welfare. Alternately, organizations could neglect maximization of societal productivity and instead seek to obtain a larger share of existing productivity for organization members.

In making a society more efficient an organization would incur costs. Resources contributed by organization members would cover these costs while the high exclusion cost benefits of increased efficiency would be enjoyed by all members of society. If the organization represents a minute part of a society's citizenry, organization member benefits may be far less than their contributions.

Due to this sharing, a special interest group will realize that the costs of increasing societal productivity outweigh the benefits received by group members. The group would be more rational to influence the redistribution of existing productivity toward group members. Only if the costs of increasing societal productivity are less than or equal to those necessary in maximizing group member welfare will there be congruence between group goals and those of other individuals and groups. More simply, it would cost more to increase the size of the pie than it would be to seek a larger slice of the pie. In that organization members support the cost of both initiatives, it is rational to focus resources on less expensive, narrow, self-interest serving initiatives.

In The Public Economy of Metropolitan Areas (1971) Bish provides a method for understanding the structure and functioning of the public economy in metropolitan areas. He states that because some goods have externalities, or are in the nature of public goods where one person's consumption does not detract from another's, collective action is necessary to achieve efficient resource allocation.

He defines bargaining as interaction among individuals with opportunities to increase their welfare by exchanging resources. Within the political system bargaining often leads to the formation of political coalitions which play a role in the legislative process of resource allocation.

Bish contends that problems of collective action are related to the high cost of decision making among large voluntary groups. Interaction with an interest group involves costs for an individual. These costs may be less than those she would incur in undertaking voluntary action alone. The costs of an individual outside an organization would be information costs and the establishment of a mechanism by which to make her preferences known.

The costs of cooperation between or among individuals for their mutual benefit are social interaction costs. These consist of decision-making and political externality costs. Decision costs are the costs of obtaining two or more individuals' agreement to undertake an economic action. These include the value of time, effort and any direct outlays going into the bargaining process. These costs are expected to increase in direct proportion to the number of people involved in the decision process. Latent group decision making costs are likely to be very high as each individual sees the cost of contributing to group aims without seeing the effect.

Political externality costs are imposed by the actions of others. They occur when a political organization coerces an individual into participating in economic action with which she does not agree. The least costly decision rule for a group of will be based on an analysis of the present value of decision making and political externality costs.

In Property, Power, and Public Choice: An Inquiry into Law and Economics (1978) Schmid points out that political externality costs increase the contractual costs inherent in reaching multi-party agreements. Arriving at a group consensus as to what actions to pursue may involve these intraorganizatonal contractual costs. The existence of these contractual costs on both sides of a bargained transaction protects the interests of third parties who may prefer the status quo. A group's failure to act because of transaction costs is another group's opportunity to be free from that act. This may cause decision makers to be unaware of the costs required to maintain the status quo and presents the opportunity for a previously unknown interest to prevail in changing transactions technology, costs and the right structures determining resource use.

Contractual costs may be constituted by political expenditures which a group or group leader would incur when building a coalition with another group or groups in the pursuit of a given objective. In The Thoery of Political Coalitions Riker (1962) refers to these expenditures as side payments composed of tangible objects and promises on policy that may have value for potential members of a coalition. Contractual costs increase in direct proportion to the number of agencies or levels of bureaucracy one must deal with.

It is assumed that every group leader has some stock of valuable things used to induce people to incur costs in support of her policy initiative. The value of these things is determined by their scarcity and the fact that some people want them strongly enough to sacrifice something else in exchange for them. Policy changes are valuable if they are controversial or sacrifice the interests of one group for the interests of another. This gives value to side payments contributing to these changes. The scarcity of side payments limits the number of individuals a group leader can persuade. If side payments use something of value the leader cannot afford to pay everybody. Excess members of a coalition cost something to acquire and lessen the benefits of group leaders and members if the objective is attained.

Group leader's view payments to form coalitions as either payments out of working capital or payments out of fixed assets. Expenditures of energy in planning tactics and concluding bargains and payments of promises on subsequent decisions are payments out of working capital. These costs are incurred prior to the final decision and thus cannot be cancelled. Due to the disparate nature of these costs a leader has difficullty in evaluating them in more than an intuitive manner.

If a leader threatens reprisal, and promises to forebear if individuals join the coalition or otherwise support her intentions, she incurs fixed asset expenditures. Fixed assets also include love or charisma. In the reprisal case, the gain of the follower or joiner is the escape from future misfortune. If the leader is provoked but ineffectual in carrying out the threat her influence will be discounted in the future.

Olson (1982) states that in the absence of selective incentives or coercion, voluntary contributions toward the provision of collective goods for large groups will often occur when the costs of the individual contributions are negligible. They will not often occur when the costs of the individual contribution are considerable. In addition, when the costs of individual contributions to collective action are very small, the individual has little incentive to investigate whether or not to make a contribution or even to exercise intuition. The individual may rationally not consider whether the gains are smaller still. Olson contends that more than a few people will take the moment of time needed to sign petitions for causes they support or to express their opinions in the course of discussion, or to vote for the candidate or party they prefer.

Although Olson does not enumerate the decision costs considered by the individual he does say that when the costs of individual action to help obtain a desired collective good are small enough, the result is indeterminate and sometimes goes one way and sometimes the other.

Schmid (1978) holds that individual action follows different degrees of reflection and calculation. Where some people may make a calculation and be tempted to free ride others may contribute based on habit or some sense of obligation. For these individuals free riding may be unthinkable.

In the Calculus of Consent (1962) Buchanan and Tullock employ an analytical approach which they call methodological individualism. Their approach stresses that collective action is composed of individual actions. It focuses on the acting or decision-making individual as she participates in the process through which groups are organized.

The authors state that economic and political relations represent cooperation on the part of two or more individuals. The market and the political economy organizes this cooperation and makes it possible. In the private market cooperation implies the exchange of goods and services for mutual gain. An individual in an exchange relationship in furthers his own interest by providing some product or service of benefit to the individual on the other side of the transaction. The base of political or collective action under the individualistic view of the state is much the same. Two or more individuals find it mutually advantageous to join forces to accomplish certain common purposes. The average individual acts on the basis of the same overall value scale when she participates in market activity and political activity.

Buchanan explains that the individual will find it profitable to undertake collective ativity when she expects that she may increase her utility. This utility may be increased in two ways:

-by the elimination of external costs that the private actions of other individuals impose on her; and,

-by securing addition external benefits that cannot be secured through purely private behavior.

The individual's net utility derived from a single act is optimized when her share in the net costs of organizing the activity is minimized. Benefits which the individual secures from a given activity are included in her calculations as cost reductions.

Individuals which bear the consequences of their decisions may have different decision processes and information requirements than those who perceive themselves as protected from the consequences. This contributes to the condition where the individual appears less rational in collective decisions than in individual decisions. In collective choice the relationship between individual action and final outcome is relatively unclear. Even if the individual could identify the general costs and benefits of a public action she will have a much more difficult time calculating her potential and real costs and benefits.

The expected costs of any human activity are those which the individual expects to endure as a result of the actions of others (external costs) and those resulting from her own participation (decision making costs). Buchanan calls the sum of external and decision making costs, interdependence costs. The rational individual would try to reduce these interdependence costs when considering how to bring about institutional change.

Anthony Downs in An Economic Theory of Democracy (1957) employed basic economic assumptions of rationality in analyzing the behaviour of voters, political parties and public decision makers. Uncertainty dominates the context within which these actors. Uncertainty combined with information and decision making costs allows voters to be influenced by competing public leaders.

As leaders develop their voter influencing stategies they rely on economies of scale to lessen information costs. Control of information gives competing leaders an advantage. This advantage is conditioned by the degree to which individual voters are affected by uncertainty.

Downs explores the costs involved in individual decision making. His model describes seven steps which individuals undertake in determining how to vote or influence policy. These steps include: the acquisition of relevant information, the selection from this information that which will be used, the analysis of the factual content of this information to derive conclusions about alternative policies and their consequences, evaluation of these consequences in light of decision maker values and goals, aggregation of each issue focus into a net evaluation of each party (or conflicting interest), vote decision making based on net evaluations comparisons, and actually voting or abstaining. Downs contends that every one of these steps, except the actual participation or voting and some minimal information assimilation costs, may be delegated to someone other than the decision maker in order to reduce the individual's costs.

Downs employs the basic economic definition of costs as a deflection of scarce resources from some utility producing use or a foregone opportunity. In the steps enumerated above the individual's allocated resource is mostly the time for assimilating data, weighing alternatives, and participating but many other costs may be incurred. Downs divides the costs into two major classes. The first, transferable costs, can be shifted from the decision maker onto someone else and include procurement costs (gathering, selecting, and transmitting data), analysis costs, and evaluative costs (the costs of relating data or factual analysis to specific goals). Nontransferable costs include the act of participating (voting) and at least a minimal cost incurred in assimilating information.

The amount of information a rational decision maker can employ is determined by the human mind's ability to encompass a limited amount of information at once and the required assimilation and evaluation time. These requirements impose the need for information selection. Selection occurs as one progresses through the decision process. It results in the choice of which information to consider and which to ignore. This choice determines what type of information is used in decision making and influences decision structure and effectiveness. Information selection carried out by someone other than the decision maker gives the external agent influence. To know what the externally provided information really means in terms of decision making, the user must be sure that information providers have selection principles closely similar to her own. Individuals rationally select reporters who provide them with event descriptions that closely approximate the versions they would formulate were they on-the-spot witnesses.

In addition to selecting relevant information for a specific decision, decision makers seek information sources which focus their attention upon certain relevant areas of knowledge or issues. To avoid surveying all the extant data, each decision maker selects a few gatherers and transmitters and molds them into a personal information system.

In _Exit, Voice and Loyalty: Responses to Decline in_

Firms, Organizations and States (1970) Hirschman develops ideas concerning consumer exit and voice as regards suboptimal performance of individual firms. Hirschman contends that his concepts may apply equally to organizations which provide services to members without direct monetary compensation. He explains that deterioration in performance is reflected most typically in an absolute or comparative decrease in the quality of the product or service provided.

Hirschman holds that firms don't always become less competitive for a good reason but may be subject to random and easily reparable lapses. Mechanisms to recuperate their former competitive levels may include management's trying harder or other alternatives. Prior to recuperation a firm's management must realize that their product is less desired. This is the role of exit and voice.

Deterioration in performance can lead to exit. Customers stop buying the product or firm members leave. It can also lead to the use of voice. Voice is employed when customers or organization members address those in positions of authority in hopes of improving firm or organization performance. Its use is based on the assumption that a organization's performance can be improved if the attention of management is sufficient. Nonetheless, when exit isn't possible voice is a dissatisfied customer's only option. Whoever doesn't exit is a candidate for voice.

Ready alternatives inhibit the mobilization of voice. Those actors who care most, and in principal are the most likely to motivate action, will also be the first to exit. A lack of exit options maintains these individuals within the group, increasing the potential for voice. Durable goods consumers are voice users due to the size their investment and the difficulty of reversing purchase decisions.

2.4 Individuals, Group Leaders, Bureaucrats, Elected Officials and the Public Choice Process

In a paper entitled "On the Structure of Power in the United States Political Economy: Some Issues and Alternatives" (1975) Shaffer focuses analysis of policy making on the different cost/benefit ratios perceived by decision makers. With regards to a specific policy area, information procurement costs are high for the ordinary citizen, especially in relation to the potential payoffs. The probability that the individual will influence the policy to any degree is also small. This reduce's the individual's incentive to be informed and to participate in the political process.

Shaffer contrast's this non-participation with individual participation within an organized group. He asserts that if the implementation of a program affects the welfare of a group with active leadership able to inform members of potential impacts, the individual incentive to influence public decisions increases.

Uncertainty enables these concentrated interests to exercise more influence over legislators and bureaucrats than non-organized or diffuse interests. When the long range costs and benefits of a public decision are uncertain the more immediate political payoffs to bureaucrats and legislators will carry the decision. As a result, many well intentioned programs, originally aimed at helping the disadvantaged, have unintended outcomes. They may actually only aid the bureaucrats associated with the program.

Shaffer also contends that elected officials are most likely to heed the requests of those interests able to provide campaign funds and organized support. He hypothesized that elected officials will invest their time in activities which generate publicity rather than the careful design of legislation. This is tied to the fact that individuals cannot "afford" to invest in careful analysis of public decisions.

In Economic Foundations of Political Power (1973) Bartlett identifies consumers, producers, the government and bureaucrats as the main actors in the policy process. An intangible but important element of his paradigm is uncertainty. The existence of uncertainty encourages and aids producers in their attempts to influence public decisions toward optimizing the value of their production activities. Government is a term signifying the collective action of consumers.

Assumptions concerning the above actors spring from neo-classical economic thought. Consumers maximize utility, producers maximize profits, politicians (government) maximize votes and bureaucrats maximize bureaucratic security. These participant's standard operating procedures are based on assumptions of rationality and self-interest. Rationality is defined as a decision maker choosing alternatives that aid her in goal realization. It applies to the strategy employed to attain ends, not the ends themselves.

The structure of the political economy leads government to self-perpetuate. Bartlett states that the government's primary motivation is the attainment and maintenance of power. Political parties act within the government, maximizing supporting votes in pursuit of their own self-interest. This orientation causes wealth and influence to be transferred to pressure groups. Concentrated interests and those with privilege are said to enjoy the most influence. Bureaucracy is born because a government small enough to make efficient decisions is too small to elucidate a wide range of alternatives and evaluate and implement decisions. Bureaucracy arises as an effect of the democratic process but its existence is not directly tied to voter approval. In Bartlett's paradigm bureaucracy is driven by a desire to maximize its own bureaucratic security.

All actors labor under the uncertainty posed by the infinitude of knowledge and information assimilation costs. This creates the potential for the production of influence based on the decision makers trade off between being informed or not informed. The decision maker's optimal level of information strikes a balance between the cost of a wrong decision and the cost of acquiring information to reduce uncertainty. To the extent that an external agent is able to affect information acquisition cost, she will be able to influence the decision and behavior of the bureaucrat or politician.

Influence springs from a pressure groups provision of inexpensive information in support of its interests. In a sense, these groups subsidize the decision makers information acquisition process. Bartlett claims that false subsidized information is subject to a discount rate in the future if the decision maker perceives the pressure group as an invalid information source. This can increase the pressure group's costs of influence and their evaluation of potential returns to biased information provision.

CHAPTER 3. CONCEPTUAL BACKGROUND

3.1 Policy Making and Implementation

Policy is here defined as what the government says and does about perceived problems. Policy making is a process of interaction among governmental and non-governmental actors resulting in public decisions.

The policy process is many staged and multi-faceted. It proceeds from the identification of a problem through program formulation, implementation and evaluation. Policy evaluation may lead to decisions on future policies or programs.

This study deals with the problem identification, program formulation and implementation stages. Problem identification is accomplished by interest group leaders and members. Program formulation has to do with agenda setting. During this stage a problem existing in society comes to the attention of government actors. These actors become convinced that the exposed problem is one which should be addressed by government.

If the government assumes responsibility for dealing with a problem it must say what it is going to do about the problem. It must specify the plans it holds to accomplish its objectives. In this stage of policy formulation and legitimation, government and non-government actors propose alternative methods of problem resolution. Eventually, a course of planned action is chosen.

Once the plan is chosen the decision must be implemented by individuals and agencies. The agencies must acquire resources, interpret the action plan, write regulations, train staff and deliver services to carry out the purposes of the policy.

Policy making in the U.S. government is complex. This complexity is a result of the size of government, the number of policy making participants, specialization within agencies and congressional committees and subcommittees, the involvement of various levels of government, the separation of institutions that share powers as outlined in the Constitution, and the vast range of substantive and complex issues which government addresses (Ripley 1980).

The existence of sub-governments also contributes to this complexity. Sub-governments are small groups of political actors, both governmental and non-governmental, active in specific issue areas. They participate in policy formulation and implementation. Sub-governments are most influential as regards public decisions in the least visible policy areas. Both interest groups and government agencies are active in sub-governments.

3.2 Transaction Costs

This study focuses on the group leader's identification of an effective strategy for overcoming the free rider problem. An effective strategy will be successful in accomplishing a given objective at the lowest cost. Overcoming the free rider problem entails motivating group members to contribute actively to collective actions when they could rationally decline to do so. To avoid unnecessary costs the group leader will only motivate extraordinary individual contributions to the pursuit of an objective that she deems attainable. In that transactions are inherent in collective activity, an effective strategy will efficiently use trasaction resources and limit transaction costs.

Drawing upon the literature previously reviewed the following definitions will be part of the study's conceptual background. The distinction is made between intragroup (within the group) and intergroup (between groups) transaction costs.

3.2.1 Intragroup Transaction Costs

Decision costs are inherent in the intragroup bargaining which results in a group decision to say or do something. They encompass the time, effort and direct outlays incurred by group members and leaders in reaching a consensus. Decision costs also include the transferable and non-transferable costs of the individual's decision process.

An individual's transferable decision costs include the individual's information procurement, analysis and evaluation costs. Decision making costs which are transferred are then covered by group resources. These resource expenditures are determined by and enter into the cost calculations of group leadership.

An individual's non-transferable decision costs include participation and information assimilation costs. In addition an individual's financial contributions to group activities are non-transferable.

Direct outlays refer to financial resources invested to establish and operate the group's administrative structure. Variable outlays would include expenditures on policy position research and communication with group members. Fixed outlays would entail those establishing and maintaining the communication network and outlays for personnel and personnel services.

3.2.2 Intergroup Transaction Costs

Contractual Costs include the negotiation, coalition building, and political externality costs inherent in reaching an agreement between two or more groups. For ease of exposition it will be assumed that information costs inherent in intergroup transactions have been significantly reduced during intragroup decision making. Riker (1962) has contributed the idea of side payments and described their role in legislative coalition building in the public choice process.

Side payments (referred to as payments) are political expenditures which a group or group leader would make in building a coalition. Coalitions pool two or more groups' resources in the pursuit of a common objective. Payments may be composed of tangible objects or promises on policy that have value for potential coalition members.

Payments may be broken down into expenditures out of working capital or expenditures out of fixed capital. Payments out of working capital include expenditures of energy in planning tactics and concluding bargains and the payment of promises on subsequent policy decisions. These costs are incurred prior to the final policy decision and thus cannot be cancelled.

Threats of reprisal and promises not to carry out threats if individuals support the group leader's intentions are expenditures out of fixed capital. Fixed capital may also include charisma or love. In the reprisal case the gain of the joiner is an escape from future misfortune.

Contractual costs increase directly with the number of groups, agencies or levels of bureaucracy the leader deals with in seeking institutional change. The above ideas of coalitions can also apply to coalition like associations of interest groups and government agencies.

Political externality costs refer to intergroup relations. These costs are imposed on a group (or agency) by the political actions of another group. They occur when a political organization coerces an individual or group into participating in actions with which she doesn't agree. Because they can give rise to increased interest participation and conflict in the public choice process, political externality costs increase contractual costs. Political externalities may be in the form of costs or benefits. Benefits are referred to as positive externalities.

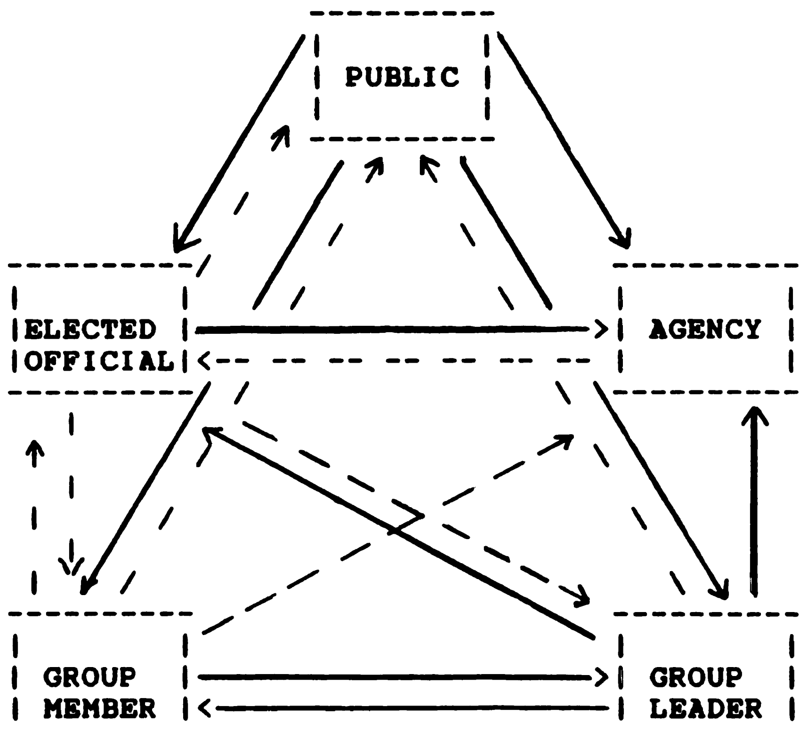
For an interest group leader the least costly intergroup decision making rule would be to minimize the present value of decision making and political externality costs

(Bish, 1971). Group leaders have a degree of control over these costs which they do not enjoy relative to contractual costs.

In the public decision arena a single actor rich in transaction resources will have a distinct advantage over a relatively less endowed actor when interests conflict. The well endowed interest will be better able to produce influence closer to or at the optimum or determinant level. The level of influence attained by the wealthy actor will mean that the less wealthy interest will have to expend a greater proportion of her total transaction resources in order to reach a countervailing position of influence. Alternately, she can call on the contributions of other interests supportive of her position. If this support is not forthcoming a countervailing influence level may not be attainable and the less wealthy actor will be motivated to employ payments to attain the wealthy actor's forebearance from actions which could negatively impact upon the weaker actor's welfare.

3.3 Relations Between Group Members, Group Leaders, Members of Congress, Government Agencies and the General Public

The relationship of leaders, members, and other actors in the policy process may be perceived as in Figure 1. The illustrated relations will be examined in terms of the indicated paths of influence. Influence refers to the ability to affect the thought or conduct of another actor through direct or indirect means of persuasion or coercion.



Key:

———— influence

- - - - - less influence

insignificant influence (no line)

Figure 1: Public Decision Influence Paths

Arrows indicate the direction of significant influence relative to other influence arrows. For example, group leaders and group members influence each other significantly. The government agency is influenced by public sentiment but normally has no significant influence upon public sentiment. The group member may not have significant influence over the government agency individually but via the elected official or the group leader her influence becomes significant. This schematic diagram illustrates the ideal situation in the group leader's view and affects her strategy.

The following discussion outlines the environment and behavioral techniques of the actors identified in the Figure 1. Concepts and terms defined in the analytical framework (Chapter 1) will be employed in the discussion.

3.3.1 Group Members

Individuals have preferences formed in a social environment where each person's likes and dislikes, satisfactions and dissatisfactions, are highly interdependent. Individuals invest resources to achieve higher levels of satisfaction or to decrease dissatisfaction.

In resolving problems individuals are confronted with alternatives. In choosing, an individual evaluates the degree of control she has over each alternative. Degree of control depends on the resources the alternative requires relative to those over which the individual has command.

Individual feelings of dissatisfaction over one's situation depend on what one wants to have. The individual conceptualizes what she wants to have by comparing herself to a similar reference group or state. If the individual's state falls short of that observed in her reference group she experiences relative deprivation (Morrison 1971).

Feelings of relative deprivation are based on 1)legitimate expectations that are 2)perceived as blocked. Based on experience and learning the individual feels she has a right to the satisfaction of her aspirations. Relative deprivation also involves the realization that aspirations will never be realised. If aspirations have been encouraged over a period of time, but are suddenly or forcibly blocked, this feeling is heightened.

Members of a group experiencing similar aspiration blockages will tend to attribute this to aspects of the social structure. This stimulates collective action. Group leaders foster this action by maintaining group members in a state of tension and dissatisfaction. They encourage the belief that group action will remove the blockage and that the individual is not to blame.

Other conditions which encourage a focus on structural solutions to individual problems include: 1) large groups of sufferers which encourage group leaders to develop notions of structural blockage 2) interaction and communication between deprived individuals fostering perception of group-wide injustice 3) the low appeal of individual solutions as previously incurred investments in aspiration attainment cannot be altered 4) the existence of other groups perceived as effective in inducing structural change (Morrison 1971).

The individual is uncertain as to the actual causes of her relative deprivation due to her finite information processing capacities and the infinite complexity of her environment. Downs (1957) described the various ways which an individual may be uncertain as regards public policy. Individuals are uncertain what role the private or public sector played in causing their present state or how the government could remedy their plight. They are unaware of ongoing or potential government programs as well as their real or potential effects. They may be uncertain as to how other individuals perceive the situation and plan to act. They are unsure as to what effect their views will have.

One means of dealing with uncertainty is satisficing based on the achievement of satisfactory ends instead of optimums (Simon 1945). Satisficing entails the decision maker's restriction of information acquisition and use below levels of availability in evaluating problem resolution alternatives. Another technique involves transfering decision making responsibilities to specialists. These techniques are employed by the individual to limit decision making costs.

When analyzing information the individual searches for objects of orientation (Parsons 1951). These are objects with which the individual is familiar and which are relevant to the situation. They aid the individual in identifying alternative means for and restrictions on the means for satisfying her desires.

Downs's (1957) model describes the steps an individual decision maker must undertake in determining how to influence policy. These steps include: the acquisition of relevant information, the selection from this information that which will be used, the analysis of the factual content of this information to derive conclusions of alternative policies and their consequences, evaluation of these consequences in light of decision maker values and goals, aggregation of each issue focus into a net evaluation of each conflicting interest, voting or particpating or declining to participate. To limit her decision making costs the individual can delegate or transfer all of these steps to someone else except for the information assimilation and participation costs.

March and Simon (1958) state that the lower the individual's satisfaction level the more search for alternative livelihoods she will undertake. Search behavior may depend on the underlying belief that the environment is benign and that search will be reasonably effective. If the environment is perceived as malevolent or barren, alternative search behavior will not follow decreased satisfaction. The perceived availability of employment alternatives is a function of sex, age, social status, the economy's technological state, specialization (tied to length of service of capital investments) and the visibility of other organizations.

Habituation to a particular livelihood also lessens the likelihood of search.

If there are no alternatives to the individual's present situation, no exit options, the individual may resort to using her voice (Hirschman, 1970). A lack of ready alternatives will also prevent similarly afflicted actors who care most, and who are the most likely to motivate the action of others, from exiting. The presence of these individuals within a group of dissatisfied members increases groups propensity to use its voice.

Neoclassical economics asserts that a rational human makes decisions based on a benefit/cost calculation. Although the individual may intuitively evaluate the costs and benefits of a given action, the existence or dearth of alternatives shift the cost-benefit values. For example, if an individual perceives that the opportunity costs of her labor are negligible or zero her perceptions of the cost of participating in collective action to enhance the value of her present labor allocations will also approach zero.

The individual's evaluation of the costs and benefits of contributing to collective activities can be thought of in terms of the following equation:

$$G^{E} + (U^{R} - C^{C}) = G^{N}$$

where $(U^{R} - C^{C}) = f(PS^{A})$

and:

G^{E} is the gain in utility which the individual expects to obtain by contributing. This has to do with the expected impact which contributing will have on structural changes necessary to alleviate individual dissatisfaction. Most probably this value is zero.

U^{a} is the utility the individual immediately gains simply by contributing and regardless of the impact.

C^{c} is the individual's perceived cost of contributing probably consisting of information assimilation and acting costs.

G^{N} is the net gain in utility.

PS^{A} is the existence of viable problem solving alternatives to contributing to collective actions i.e. private alternatives.

$(U^{a} - C^{c}) = f(PS^{A})$ indicates that the individual's perceptions of the utility gained from contributing and the cost of contributing are significantly affected by the number of viable alternatives to contributing. A dearth of perceived alternatives increases the utility of contributing and decreases the costs.

The final decision may reflect individual personal preferences, influenced by the structure of society, and/or individual societal preferences, concerning the kind of society the individual prefers and dealing with changing society's structure. For example, an individual may rationally operate an air polluting automobile while concurrently contributing to groups who lobby against air pollution (Thurow 1983). Seemingly rational individual decisions may seem irrational in a collective sense.

Individual's who must bear the consequences of their decisions may have different decision processes and information needs than individuals who perceive themselves as protected from the consequences (Buchanan 1962). The responsibility of private decisions rests with the individual. She is relatively more aware of the costs and benefits and considers more carefully the alternatives available to her. In collective choice the relationship between individual action and final result is much less clear. The individual must evaluate the costs and benefits of the group's decision as well as those of her individual decision. Knowing that the collective decision may be made regardless of her input she is less likely to incur the costs necessary to identify and evaluate all alternatives.

3.3.2 Group Leader Relations with Group Members

The interest group leaders primary responsibility is to maintain her organization. This entails obtaining group member contributions which are of greater value than costs which group leadership must incur to induce them. Group members are interested in receiving inducements greater than their costs of contribution (net inducements). Group leaders search for contribution alternatives which members will perceive as relatively low cost.

The group leader becomes aware of group member satisfaction or dissatisfaction levels through direct communication, communication with group member representatives and other group leaders, interactions with private and public agencies who deal with group members, the media, annual and occassional conferences, etc. The group leader is relatively more concerned with group member perceptions of why they are deprived than the actual causes of their deprivation. This reduces the uncertainty which group leaders must deal with.

A production function is the relation between the output of a good and the inputs required to make that good. The group leader identifies group member dissatisfaction as an input in the group member contribution and high exclusion cost good production function.

Contributions must be provided on an ongoing basis. They may constitute a measure of member satisfaction with group leadership. This will depend on the members' perceived alternatives to contributing.

The leader strives to define the group's purpose. In defining the group's purpose, and elucidating the various group objectives which contribute to the accomplishment of that purpose, the group leader must solicit and obtain group member agreement. In this way she avoids causing members to quit the group in response to disagreements over objectives.

Group leaders must also convince group members as to what is right. To accomplish this leaders emphasize communication and interaction. Newsletters, pamphlets, the media, and individual participation in drawing up the group's annual policy resolution statements are examples of this effort (Browne 1978).

Group leaders focus group member attention on issues of which they are relatively uninformed. If information concerning the issue is relatively costly for the member to obtain, the value of information provided by the group leader increases in the following two respects: 1) The group member is more likely to employ this inexpensive knowledge in her decision process increasing the influence of the group leader, and 2) The group leader can limit expenditures on researching her contentions concerning the issues.

Leadership actions are determined by the cooperative environment in which the group operates. This environment is composed of other groups, interests and organizations with which it has common interests or interdependencies. By studying this environment the leader identifies strategic factors employable in pursuit of organizational objectives. In some cases the effectiveness of these strategic factors will depend on the leader's prior efforts in maintaining the group members' vitality to act. Leadership activity is most likely to occur when motivation for the activity, a strategic factor, physical resources and a firm belief in success are present concurrently.

Leader viability depends on the group members' perception that the leader is knowledgable and effective. Group members must realize the benefits of membership. This aids the leader in attaining internal support for leader issues raised before government. Membership sentiments supporting positions articulated by the leader sustain or foster the leader's credibility (Browne 1978).

Leader arguments and positions must appear valid to both group members and public decision makers. Often the timing of the introduction of an issue will determine how credible the leader's arguments are. Effective group leaders introduce issues into the public decision process when conditions lend credibility to their arguments.

Group leaders provide relatively inexpensive information for use in the group member's decision process. By using language and concepts familiar to group members, and by highlighting issues which individuals can identify as having a direct impact on their welfare, group leaders foster the use of this subsidized information. The group members ease of acquisition is also a factor.

Group leaders also appeal to ideological orientations to push group members to identify certain issue elements as right or wrong. Ideas such as equity, fairness and freedom bind members experiencing relative deprivation and spur contributions to collective endeavors. Under stress conditions group member ideologies tend to be both dynamic and maleable.

The above described group leader approaches are intended to limit the decision making costs which group leadership incurs in inducing individual contributions. Economies of scale minimize direct outlays as leaders rely on the group's established communication system of newsletters, pamphlets and media to disseminate information in support of the leader's position.

The leader's credibility, and her adeptness at identifying and timing the introduction of issues, can limit expenditures in support of research to buttress her argument. By appealing to group member ideological orientations, and by stimulating member identification with group objectives and common feelings of relative deprivation due to social injustice, group leaders reduce expenditures necessary to bring about member contributions or participation. If successful, members will rationalize contributions on the basis of morality and deemphasize individual cost/benefit evaluations. This inhibits the individual's realization of the possibility to ride free.

3.3.3 Group Leader Relations with Government Agencies

Government agencies provide high exclusion cost non-optional impact goods. The good's production is made possible by tax revenues contributed by the general citizenry. Interdependence or conflict with other actors is caused by the non-optional impact character of the good.

In pursuing new goods by identifying a specific federal agency, group leaders invest group resources in an endeavor with risk potential. Winning the ensuing political conflict may absorb resources which the group leader wished to invest in other activities. The leader also risks alienating more persons than she convinces to support the group endeavor. She may cause individual's to exit the group. The leader can avert risk by focusing on areas that promise either a larger potential return or a decreased probability of loss. Group leaders must weigh probabilities and returns intuitively. However, certain attributes of government agencies make their provision of new goods in response to group leader initiatives more likely.

As stated above intergroup transaction costs can be described as contractual and political externality costs. To the extent that a group leader must incur contractual costs in pursuit of new goods she uses up limited resources. Contractual costs are increased by political externality costs which the new non-optional impact good imposes on other groups or individuals. The group leader may need to make payments to compensate those experiencing political externalities. They may mobilize and increase the determinant influence level which the group leader must attain and thus the resources she must invest. Alternately she can avoid the imposition of externality costs altogether.

Certain attributes of government agencies lower the contractual costs group leaders must incur in inducing institutional innovations leading to the provision of a new good. These attributes limit the resources which the agency controls and payments it can make in reducing interest group influence over its activities.

The agency may be responsible for implementing a program that is generally unpopular and perceived as wasteful. It may operate in a task environment not amenable to the normal evaluative procedures employed by "watch dog" agencies (Office of Management and Budget, GAO) although these procedures are employed nonetheless. The state of knowledge concerning the agency's programs and goals may be underdeveloped. Little insight may exist as to what effect actual and potential agency techniques may have. Simple evaluations of what is right or wrong for the agency to do may be clouded by an unmanageable array of external contingencies.

In an environment of pervasive uncertainty the agency may rely on standard operating procedures vulnerable to criticism. It may use analysis of its investments to rationalize decisions already made rather than to arrive at decisions. It may create projects with the sole purpose of legitimizing its existence. The agency may exhibit a lack of flexibility and innovation due to the conspicuousnous of its mistakes and non-existent or ambiguous standards of success.

Agency beneficiaries may be unorganized or outside the American political system. They may be incapable of incurring the costs necessary to gain the congressional support required to avoid cuts of the agency's budgetary appropriations. This may push the agency to rely on investments of the President's power and prestige. This support may be inconsistent or of short duration.

Government agencies may be under constant critical scrutiny through congressional hearings and investigations, General Accounting Office (GAO) audits, muckracking journalism, and other government departments claiming that the agency impinges on their programs or interests (Tendler, 1975). The agency may have been exposed to a number of congressional and executive restrictions in the past. It may have exhibited an inability to ward off the attacks of other government agencies. Living with constant criticism will affect not only what an agency does but also what it wants to do. It pushes the agency to ignore its own organizational goals in order to placate its critics. The agency goals become dominated by the desire to maximize bureaucratic security (Bartlett 1973).

Each of these attributes has the potential to assist group leaders in avoiding contractual costs and minimizing the risk of failure. In seeking to increase returns to her efforts leaders may identify those agencies with resources which could be reallocated in support of the group's activities. The standing policies and operation domains of the agency would indicate the potential for this.

Group leaders avoid the creation of political externality costs for concentrated, organized interests. Concentrated interests experiencing political externality costs may undertake countervailing activities increasing the group leaders contractual and decision making expenditures. The group leader interacts with and knows the orientations of potential actors in an identified issue area. She assesses these group's potential reaction to her initiative. This concept is similar to conjectural variation as applied to firm behavior in oligopolistic markets. The group leader identifies initiatives with low political externality costs or which impose political externality costs on diffuse, unorganized interests. In this way she minimizes intragroup decision making and contractual costs as well as direct outlays.

3.3.4. Government Agency Relations with Group Leaders

In general, government agency bureaucrats can benefit from the political support and influence of interest groups in their external relations with other political institutions. They also need information supplied by pressure groups in making and defending policy. Interest groups may also assist a government agency in the implementation of its program. Federal political executives and higher civil servants generally believe that interest groups should have a high degree of access to the bureaucracy (Ripley 1980).

Civil servants often readily represent interests and organized groups they perceive to be important in the substantive fields in which they work. This representation may take the form of advocacy by strategically placed civil servants on behalf of interest groups. In some instances the advocacy of specific interests may become institutionalized in the form of advisory committees.

Interest group representatives have an impact on decisions concerning congressional appropriations to government agencies. They can also influence government agencies through their contacts with executive branch officials.

The same above described factors which lead interest group leaders to identify certain government agencies as inexpensive targets also increase the probability that the agency will see benefits in appeasing interest group concerns.

The group leader is aware of the relative power positions of government agencies and between agencies and Congress. If the agency is relatively powerless in the policy and budgetary process the leader may offer group resources in support of the agency. The government agency's personnel are concerned with the survival of their institution. Proferred services will have value relative to resources offered by other interests, what the agency must do to obtain the group's support, and the agency's recent organizational success in attracting resources.

3.3.5. Congress Relations with the Group Leader

As representatives of concentrated interests, group leaders can influence congressional decision makers. Although the degree of influence is a subject of debate, it seems certain that in representing the desires of voting constituents, providing information relevant to pending decisions, carrying on personal relationships, and providing a bridge between members of Congress and the public bureaucracy, group leaders can participate in the decision process.

Members of Congress are interested not only in where their constituents stand on issues but also (and more importantly) in the intensity of the constituents' feelings. Members work on the reasonable assumption that intense desires deserve more responsiveness and will affect electoral support more directly. Intensity of support is hard for members of Congress to measure. To the extent that interest group leaders can stimulate and concentrate intense constituent feelings, and communicate this intensity to the member of Congress, she can have an impact on congressional decisions.

To limit transaction expenditures interest group leaders will focus government attention on issues which are highly visible and seemingly important to group members but about which members of the public may not be aware or intensely concerned.

3.3.6 Government Agency Relations With Congress

The role of Congress in the public decision process is not a direct focus of this study. The hypothesized transaction cost limiting approach of group leaders leads them to focus on their relations with government agencies in obtaining new publicly provided goods. Group leader relations with Congress, and congressional relations with government agencies, are instrumentalities to the group leader's achievement of her objectives. It is the government agency's perception of the influence of the interest group in Congress that affects the agency's response to group leader initiatives.

The formal powers of Congress provide a number of resources which members may employ in influencing government agencies. These include: discretion as to whether the agency will exist or not; discretion concerning the jurisdictional and programmatic scope of the agency and limits to that scope through statutory authority and financing; discretion concerning the personnel of an agency; discretion over the agency's position in the overall bureaucracy (Ripley 1980).

Members of Congress can also provide or withhold information on the intentions of other political actors. They possess the ability to praise or criticize individual agencies or bureaucrats and to build a favorable image of the agency for a variety of other actors including members of the executive branch, iterest groups, members of Congress and the public (Ripley 1980).

Members of Congress are motivated by the desire to survive/advance politically and to pursue policy interests. Survival is tied to their constituencies' perception of her service to them and other local or influential interests. Choice of policy focus may be tied to political advantage; members may develop a sudden interest in policies that help them get reelected. These factors influence all congressional activity including interaction with the bureaucracy.

Congress/government agency relations are conducted in an atmosphere of conflict and uncertainty. There exists a general agreement between the two as to what should be done to minimize conflict and uncertainty. It is in the interests of both actors to maintain a stable relationship. For the agency stability is an aid to program planning and implementation. For Congress stability enhances the member's ability to meet constituent and interest group desires.

Sources of conflict lie in the difference between the program oriented goals of the agency and the combination of fiscal and policy oversight goals of Congress. Sources of uncertainty lie in the different political environments within which non-elected bureaucrats and elected political respresentatives operate.

3.3.7 Public Opinion

Public opinion is defined as the opinion of the people with respect to social and political action. People have opinions concerning political action by the government because they contribute personal resources generated by their investments of labor and human capital in support of government policies and programs.

The creation of public opinion and the influence of public opinion on public decisions is outside the bounds of this study. However, a few simple assertions can add to the analysis.

Government policy is shaped by the opinions of the political communities involved. The resolution of public problems is influenced by the sentiments of the public no matter how difficult these sentiments are to ascertain.

Public opinion provides effective legitamacy in the decision process. If congressional, government agency, interest group and interest group members assume positions in general harmony with existing perceptions of public opinion they increase their legitimacy. Where legitimacy is lacking members of Congress will lose voter support, government agencies will lose access to resources, interest groups will lose members and members will lose friends. Thus, it is in the interests of these actors, not only to be aware and responsive to public opinion, but to expend resources in influencing public opinion.

Group leaders undertake grass roots lobbying aimed at non-group individuals which have similar interests and socioeconomic attributes as group members. They attempt to create a popular movement in support of the organization's cause.

CHAPTER 4. THEORETICAL MODEL

4.1 Introduction

Deductive analysis starts with a statement and definitions of basic assumptions. These assumptions provide a foundation for the development of a theoretical model to be employed in testing the hypothesis. The validity of the model will be examined in application to the case studies in Chapter 6. The model will depict group leader behavior in relation to group members and government agencies.

The development of the theoretical model will entail the following:

1. Elucidation and definition of assumptions.
2. A model of the public decision process.
3. A description of the model including assertions stressing group member, group leader, and government agency behavior.
4. A summary of the hypothetical assertions.

4.2 Elucidation and Explanation of Assumptions

Assumption 1: Group leader actions determine the degree to which the group influences the public decision process.

This assumption focuses the discussion on the group leader's role. Although the dissatisfaction of group members is important, the role of group leaders in concentrating and directing this dissatisfaction determines the extent of group member influence.

Assumption 2: Group leaders have access to public decision makers.

Here it is supposed that group leaders can influence the public decision process. To influence this process leaders must have access to decision makers.

Assumption 3: Group leaders and government bureaucrats wish to sustain and enhance the organizations to which they belong.

These actors receive utility incomes from their organizations. They perceive these utility incomes as important to their satisfaction levels. Thus, they are intent in seeing that their organizations survive. They view the ability to influence the policy process as important to their organization. This contrasts with group members and the general public whose welfare does not depend directly on these organizations. Leaders and bureaucrats may have the responsibility of working for member or citizen goals but the flexibility of the relationship provides leaders and bureaucrats the opportunity to use resources much at their own discretion.

Assumption 4: The exchange of material or political payments between public decision makers is possible.

The ability to influence decisions with payments of tangible objects or promises concerning future policy decisions gives rise to negotiations between interests in conflict. This motivates leaders and bureaucrats to undertake working capital and fixed capital investments aimed at generating the resources which constitute these payments. Payment size may reflect the intensity of a group membership's or agency supporters' interest in a given issue. These investments provide the analytical linkage between transaction costs and public decisions.

Assumption 5: Within the constraints of bounded rationality, actors maximize utility in pursuing their perceptions of viable problem solution alternatives.

To maximize net utility gains actors choose the least cost alternative. A decision maker implicitly assigns a cost value to the different alternative actions she could take. Costs reflect tastes, preferences and the relative amounts of utilities sacrificed in incurring a given cost.

Assumption 6: Individuals have different levels of concern as regards public goods.

If all individuals had the same level of concern for each public issue, influence and power would be equally distributed and the public decision process would be indecisive. Level of concern is linked directly to the amount of transaction resources representatives of interests control. The fact that levels of concern vary results in limited and unevenly distributed public decision resources. This imbalance provides those concentrated interests with a greater intensity of concern the resources to influence decisions.

4.3 Public Decision Model

To structure the analysis of the group leader's role in overcoming the free rider problem a schematic model is presented in Figure 2. The model illustrates six stages in the public decision process. The six stages are:

Stage 1-Group Member Problem Identification

Stage 2-Group Leader Problem Identification

Stage 3-Group Leader Strategy Development

Stage 4-Strategy Implementation

Stage 5-Reaction to Group Leader Strategy

Stage 6-Results

The first five stages of activities may result in a public decision and institutional change.

The model portrays the relationship of interest group leaders with other actors. Each stage contains a system of variables and the stages overlap. The outputs of one stage are employed in the following stage as inputs.

The leader wishes to sustain and enhance the operational viability of her organization. This viability depends on routine group member contributions to organization maintenance. It is enhanced by non-routine contributions to discrete group struggles. The group must obtain member utility contributions greater in value than the costs incurred by the group in inducing them. In addition, group members must receive net inducements to motivate contributions. When the benefits of alternative decisions are difficult to estimate, actors seek to minimize costs. Group leaders design and implement strategies which 1) induce member contributions which members regard as relatively low cost and 2) limit direct and transaction outlays in obtaining the policy objective. Member contributions to winning struggles bind them to the group, illustrate leader effectiveness, and enhance the leader's power image relative to other public decision actors.

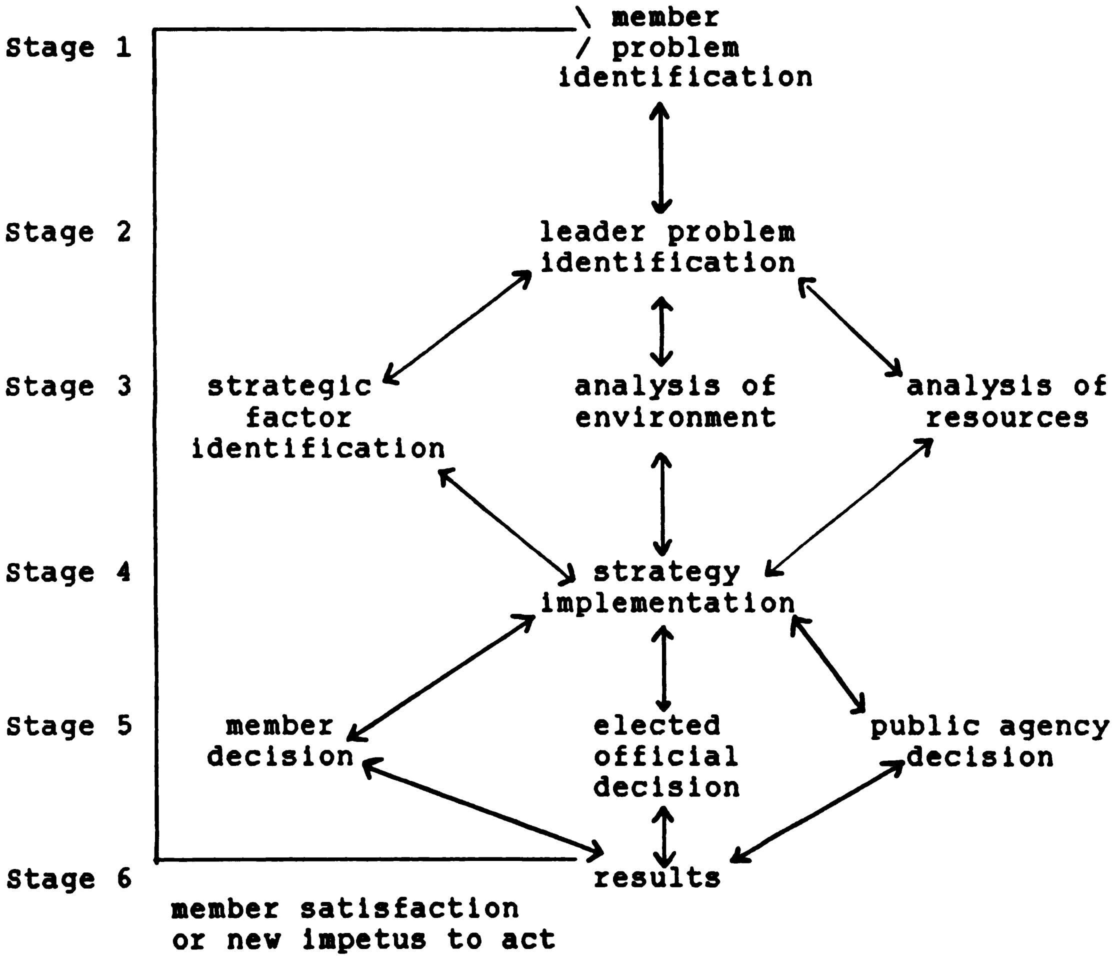


Figure 2: Public Decision Model

Stage 1

The member problem identification stage is the basis for her participation in the public decision process. Although it is necessary for this participation it is not sufficient to cause participation. The stage entails member realization that her present condition falls short of what she desires based on past experience or observance of reference groups. Morrison (1971) has contributed the idea of relative deprivation. An individual's feelings of relative deprivation are based on 1) legitimate expectations which 2) she perceives as blocked. It also involves a sudden realization that aspirations will never be realized.

Individually this realization entails feelings of dissatisfaction. It leads to the conceptualization of different alternatives vith which to address this shortfall. Most effective solutions to significant problems are not identified instantly. The individual may remain in a state of dissatisfaction for a period of time.

The dissatisfied group member is uncertain as to the fundamental cause of her problem and the most viable solution. Her physical environment and the resources which she controls lead to the elimination of some solution alternatives. March and Simon (1958) have discussed how the search for alternatives is dependent on an underlying belief that search will be reasonably effective or that serious alternatives exist.

Stage 2

The leader problem identification stage gives rise to leader behavior. This stage merges significantly with stages 1 and 3. It may also be conceptualized as a leader opportunity stage. The leader may have been aware of group member dissatisfaction prior to her realization that it could be exploited to increase the organization's power. This realization springs from the leader's identification of strategic factors which would ensure, to the extent possible, a cost effective way to direct dissatisfaction toward an objective important to the organization.

Stage 3

In this stage the leader evaluates situational and organizational aspects which may contribute to success in influencing the policy process.

March and Simon (1958) have described the importance of a leader's environmental awareness. The environment entails both group members and the cooperative system in which the organization operates. Awareness allows the identification of strategic factors employed in maintaining the organization.

Strategic Factors

Group leaders wish to motivate member participation in a winning public decision process to illustrate leader effectiveness and group membership benefits. The leader strives 1) to limit resource expenditures required to attain the objective and 2) convince members that the objective is important. Toward these ends she identifies the following variables lending advantage to her strategy.

1. Uncertainty

The dominant environmental factor which permits the group leader to plan a strategy is pervasive uncertainty. Bartlett (1971) describes how uncertainty encourages and aids producer representatives in influencing public decisions which increase the value of their production activities.

The individual is uncertain as to the actual cause of her dissatisfaction due to her finite information processing capacities and the infinite complexity of her environment. Downs (1957) has described the various ways which an individual is uncertain. As previously explained, uncertainty begins with the individual's inability to determine what effect (if any) government has, or could have, on her unsatisfactory state. The individual is uncertain as to how other individual's view the present situation and what impact their views have on the policy process.

Elected officials are uncertain as to their constituents' positions concerning issues as well as being uncertain as to how to maximize an individual's satisfaction and obtain her support. They are uncertain as to what impact government policies and agencies have on individual welfare. The impact of a specific issue on voter support is also uncertain. Personal considerations influence which information the elected official will consider. Because interest groups can channel manpower and financial resources in support of an official, their information gains influence.

A government agency's control over policies that affect its structure and resources determines its viability. Control degree is determined relative to other government agencies, Congress, interest groups and public sentiment. Certain attributes of government agencies limit their control over and access to resources. Some of these have been described by Tendler (1975) and may include the popularity of the agency's program, the political power of the groups to which the agency provides services, techniques used to evaluate the agency's effectiveness, and the environment in which the agency undertakes its activities. These attributes also contribute to the level of uncertainty to which the agency is exposed.

2. The Decision Process

Downs (1957) described the steps individuals must undertake in influencing public decisions. These include information acquisition, selection, analyis, alternative evaluation, aggregation of viable alternatives into a net evaluation, and participation. The individual has limited decision making resources and may choose to transfer some of these functions to another entity. In addition, she may satisfice (Simon, 1958) striving for satisfactory ends instead of optimums. This would lead her to restrict information acquisition below levels of availability.

The member of Congress will also look for sources of inexpensive information to limit her decision making costs. Bartlett (1973) describes how politicians attempt to strike a balance between the costs of a wrong decision and the cost of acquiring information to reduce uncertainty.

Government agencies employ many of the same decision techniques as members of Congress and individuals. They may also decide to increase their level of interaction with new and established policy actors. This interaction could take the form of advisory committees or less formalized communication networks.

3. Group Member and Public Sentiment

Barnhard (1938) and March and Simon (1958) have emphasized that effective leaders maintain group member willingness to contribute to group objectives. Toward this end group leadership invests resources in ongoing communications with group members. Communications are intended to develop a feeling of shared or common goals and values among members. This feeling leads group members to defend each other against perceived external threats.

To the extent that public sentiment will increase the credibility of the group leader's argument it can be identified as a stategic factor in group member mobilization. The context of the issue debated will affect the content of negotiations and thus should affect the strategy. In any case the group leader will strive to undertake initiatives which are not radically different from his perceptions of public opinion.

4. Physical Resources

Group leaders frame their stategy with respect to resources available within their organization and the other organizations which they are opposed to. To the extent that existing resources such as communication networks or personnel can be employed, resource expenditures will be reduced.

Public sentiment can contribute to the dissemination of information. If media representatives perceive the group leader's argument as one that would have significant reader interest the group leader can tranfer information dissemination costs to the media representative and the individual citizen.

Resources such as leader and staff time and energy employed in planning tactics and concluding bargains are incurred whether the leader's strategy is successful or not. Thus, it is these resource expenditures which must be controlled to the greatest extent possible. Here the leader may implicitly apply marginality concepts weighing each unit of expenditure in light of its potential impact. Resources such as threats and forebearance depend on the image of the group previously established. These enhance any sunk expenditures. In limiting these "fixed capital" expenditures the leader may call on them only implicitly or as a last resort.

Interest group resource expenditures are undertaken in relation to the resources which the opposing party possesses or expends. As the number of actors in a public decision increases, resource expenditures increase.

Stage 4

At this point the group leader plans a strategy taking into account the above described stategic factors having to do with opportunities and resources. As the strategy takes form implementation begins. The strategy is dynamic. As the various actors react to it additional variables may become evident which contribute to the group leader's objective.

Group leaders must bargain with other interests to gain influence. This bargaining implies compromise, conciliation, and coordination with group and non-group actors. Material and political payments are the currency of intergroup bargaining. Payments may include information, money, political support or forebearance from attack.

Leaders focus organization resource investments on attaining greater amounts of payment resources. Member newsletters, annual conferences, and the content of communications induce member contributions which constitute payment resources. Member contributions may be financial (dues, checkoff payments) or political (letters, petitions, etc.).

1) Mobilizing Individual Participation

The maintenance of the group members' willingness to contribute is the foundation for leader initiatives in mobilizing participation in a discrete struggle. Membership participation will be significantly influenced by perceptions of leader effectiveness.

Browne (1978) has described how group leaders employ newletters, pamphlets, the media, and member participation in the adoption of group policy resolutions to convince members of the leader's worth. By relying on these previously established networks, economies of scale are exploited to lessen information costs (Downs 1957). The process also provides leadership the opportunity to focus member attention on group supporting objectives.

Leaders take advantage of the individual's desire to transfer certain decision making costs to external actors. The leader has established herself as an information gatherer and transmitter routinely employed in the individual's decision process. She focuses member attention on relevant areas of knowledge and issues and alters individual values. By employing language and description structures familiar to members, leaders convince members that they have similar information selection patterns.

Group leaders encourage feelings of relative deprivation. They communicate images of more advantaged but similar non-group individuals to whom the group member will compare herself. They promote the member's realization that less visible group members are also dissatisfied. The resulting feelings of relative deprivation entail feelings of inequity and injustice. This leads members to identify the structure of society as determining their present state. Given a lack of alternatives and the visibility of other successful group endeavors the individual becomes convinced that contributing to group initiatives is one of few viable means of inducing structural changes essential to an improvement in her welfare.

The leader focuses member attention on structural change of which they are relatively uninformed. This reduces the costs of researching her issue position and increases member reliance on the information she transmits. In doing this leaders orient information around the individual's objects of orientation (Parsons 1951) concerning the structural sources of member dissatisfaction. For example, farmers may have long standing perceptions that bureaucrat and politician decisions routinely impose external costs on farm families. This familiar opinion is an object of orientation.

Leaders rely on the general media and social communication networks to convince group members of the lack of private problem solution alternatives or exit options. Resource limitations and the relative costliness of resource reallocations also discourage the individual's alternative search. Hirschman (1970) and Morrison (1975) have described how a lack of alternatives to new public goods, or exit options, promote individual participation in collective political action. Buchanan and Tullock (1962) state that individual choices in support of collective action may follow the realization that relative to the external costs of others' private actions, decision making and participation costs may seem insignificant.

Group leaders provide the opportunity for members to gain utility from expressing their views in public forums. Salisbury (1969) refers to these as expressive benefits and

Morrison (1975) calls it reform utility.

2) Focusing on Government Agencies

The group leader must first make the government agency aware that there is a problem. This may be done thru direct communication or via elected officials. Bish (1971) has pointed out that bargaining takes place between individuals with the opportunity to increase their welfare by exchanging resources. Bargaining gives rise to political coalitions. Group leaders seek to limit resource exchange (payments) by avoiding dependance on coalitions and exposure to costs incurred during conflict with coalitions. Toward this end they modify group member policy preferences. They also engage government agencies which exhibit signs of vulnerability. These agency attributes have been previously described and constitute a strategic factor.

Leaders strive to enter coalition type associations with the targeted government agency. To the extent that they succeed they maintain decision responsibilities at lower levels of the government. This limits the number of participants in the decision process and the intergroup contractual and intragroup decision costs. With higher government hierarchy levels a greater number of seperate interests can gain legitimate access to decision makers and increase contractual costs. Limiting the number of participants also enables the leaders to claim unique responsibility for any beneficial political results.

The bargaining process can be made more effective by considering items traded and building on those items that are most important to the trading partners. Group leaders offer government bureaucrats a variety of payments. These include the fostering of a positive agency image, assistance in program implementation, information concerning or access to other policy actors, praise, and personal gratifications. Riker (1962) has described how these payments gain value relative to their scarcity. If the agency perceives itself as lacking political power in the governmental process, it views potential sources of political support as valuable. The agency would also value the forebearance of interests able to decrease the agency's power further as valuable.

Bish (1971) states that political externality costs increase contractual costs necessary to get those affected to agree. Group leaders attempt to limit political externality costs for this reason. They may focus group member participation on initiatives which impose externality costs on interests outside of or passive in the American political process. The imposition of externality costs on diffuse interest groups (Shaffer, 1975) lacking active leadership and incentives for individual participation in the policy process exemplifies this approach. The group's least cost decision rule would be based on analyzing the present value of decision making and political externality costs. This orientation focuses leader attention on specific government agencies.

3) Focusing on Elected Officials

The reaction of elected officials can be instrumental in government agency insitutional change in response to group member initiatives. What is more determinant however is the agency's perception of the potential reaction of Congress. The agencies past history and its perceived efficiency relative to programs under implementation impact upon how agency members perceive potential congressional reaction.

Group leaders realize that agency bureaucrats realize that elected officials are influenced by the intensity of public concern for a given issue. They are also responsive to those interests likely to provide campaign support and funds toward a politician's re-election. To the extent that the agency has no supporters which undertake such activities the agency will feel vulnerable when attacked by those who do. Agencies realize that when the long term costs and benefits of a public decision are uncertain the more immediate political payoffs to legislators hold sway. Group leaders rely on these perceptions in their relations with government agencies.

Actor value perceptions and power distributions become apparent during the interaction inherent in this stage. These perceptions provide a basis for stage 5.

Stage 5

Stage five entails the aggregation of the different group member, elected official and government agency bureaucrat decisions as regards the issues which the group leader has raised. This stage results in the provision of a new publicly provided good or the frustration of the leader's aspirations (Stage 6). Success will provide the leader with the opportunity to illustrate her effectiveness and the group's power to group members. In principle, this should foster a higher level of member support of the organization. It will also lead to an enhancement of the leader's power in the eyes of the decision makers she has been exposed to.

With success the leader will experience some immediate (stature, self-regard) and some less-than-immediate (increased power and resources) benefits. Group members may receive utility from the idea that they participated in a winning policy activity. The cost limiting approach of leadership will influence whether the attained institutional innovations will have any significant effect on the group member's welfare. Agency bureaucrats may receive utility from the avoidance of increased congressional scrutiny, until the next time. More likely will be the tendancy for other previously uninvolved interest groups to learn from this experience. As a result the agency may experience increased exposure to public scrutiny and criticism and the costs and benefits which that entails.

4.4 Hypothetical Implications of the Model

The following summary of actor behavior encapsulates the important theoretical aspects of the previously described model. The summary is comprised of a series of propositions.

1. Interest group leaders undertake long term group resource investments to increase the extent to which goals and values are perceived as shared among group members.

Such a sense of common purpose, interests and character increases the propensity of organization members to defend each other against outside pressures. Investments are aimed at maintaining a will to act among group members. The will to act aids leaders in overcoming the free rider problem.

2. Individual dissatisfaction is the basis for participation in collective or group activities.

Dissatisfaction arises from a decrease in the individual's utility. It is heightened by an individual realization that long held aspirations will never by attained. Although the individual suffers she is uncertain as to the source of her suffering.

3. Feelings of relative deprivation lead to a focus on structural and collective solutions to individual problems.

Relative deprivation entails the perception that the structure of society is blocking the satisfaction of individual aspirations. The realization that other group members are experiencing similar dissatisfaction gives rise to moral judgements and feelings of inequity and injustice. These feelings encourage the individual to seek solutions through changes in society's structure resulting from group activities. Participating in group activities yields different forms of reform or expressive utility which the group members view as cost reducing. However, costs, and the benefits resulting from each alternative, can only be weighed intuitively.

4) Because group members perceive a lack of viable problem resolution alternatives individually, the costs of participation in group activities seem reasonable.

A lack of perceived exit options leads to the use of voice. Exit options may entail undertaking another production enterprise, seeking another livelihood, or withdrawing from society. Voice can be equated to interest articulation and may be the only way in which dissatisfied organization members can react when the exit option is unavailable. In evaluating problem resolution prescriptions group members analyze the costs inherent in each alternative solution. Final cost perceptions are based on the individual's evaluation of the environment under uncertainty and the resources she controls. If the individual perceives that the opportunity costs of her present labor and resource allocations approach zero, her evaluation of group participation costs will also approach zero. In other words, if the individual feels that another livelihood would yeild an unsatisfactory level of utility, the cost of contributing to a group initiative aimed at restoring her present livelihood's utility level to that experienced in the past, will appear insignificant.

5) Individual decision cost considerations and processes give rise to group leader influence.

Group members routinely transfer information procurement, selection, analysis, and evaluation responsibilities to external actors in seeking to limit decision costs. They choose these external information sources on the basis of compatibility with their own viewpoints, thought structures, language and knowledge. Members develop confidence in their information sources as to information viability. This leads them to further minimize their decision costs by accepting as true that which they are told. To the extent that organization leaders can facilitate or encourage the transfer of decision responsibilities to their organizations they can promote individual behavior in support of organizational objectives.

6) Group leaders communicate information which they deem important in promoting individual contributions to organization viability.

Leaders must legitimate their demands by tying their effort to membership interests. Leaders focus individual attention on specific policy issues. These issues may or may not be instrumental to individual welfare but they are important to organization welfare. In promoting individual participation group leaders employ cost limiting approaches which aid in limiting direct outlays, research costs, and personnel costs.

7) To sustain the organization, the leader induces group member participation in encouraging institutional innovations deemed possible and inexpensive to bring about.

Organization resources expended in inducing group member contributions must be less than the value of the contribution incomes or the organization will cease to operate. The group leader is uncertain as to the actual impact on resource incomes of any public decision initiative she undertakes. To limit political and financial payment expenditures she identifies issue targets which she deems easily winnable. The influencing of a public decision is least costly when the issue can be resolved at lower governmental levels. This is especially important when members are encouraged to and become actively involved in the collective activity chosen by the leader.

8) Interest group leaders focus on certain government agencies they perceive as relatively more vulnerable to collective activities aimed at inducing institutional changes within them.

Attributes which contribute to an agency's vulnerability also determine the degree of control it enjoys over its program structure and resource access. Agency characteristics which influence this degree of control are the location and political activism of those receiving agency services, popularity of agency programs, difficulty of the agency's task environment, evaluation methods used in analyzing the agency's effectiveness, and the agency's past effectiveness in competing for governmental resources. These attributes are indicative of the political resources which the agency can wield in protecting its interests as well as those the interest must expend in attacking the agency. Group leaders increase the effectiveness of their strategy by considering payments the government agency would value and concentrating investments on generating these payment resources.

9) Interest group leaders limit transaction costs by controlling the externality costs inherent in the provision of the good which the group seeks.

Leaders may identify and seek publicly provided goods which impose externality costs on diffuse, unorganized interest groups. Alternately, they can focus efforts on goods which pose externality costs on interests outside of, or presently distracted from, the American political process. In this way the leader influences the governmental level at which policy determinations are made. Decisions at low government levels are made when only a few initial participants can reach agreement easily. In terms of visibility, it is in the interests of the leader to resolve the public decision at the lowest possible governmental level. In this way he avoids the costs of extensive coalition forming and can claim unique credit for success in inducing institutional change.

10) Interest group leaders benefit from the threat of increased congressional control of a government agency.

Interest groups are perceived as having influence over members of Congress. Congress has formal oversight and policy responsibilities as concerns government agencies. Interest group leaders exploit these perceptions in the public choice process. Agency's fearful of congressional control due to past experience will be more willing to compromise to avoid additional congressional scrutiny. In addition, group leaders promote public sentiment favorable to the success of their policy initiatives or design policy initiatives in harmony with existing public sentiment. Group leaders realize that agencies realize that elected officials are attuned to public sentiment.

11) Government agencies pursue their own self-interest in seeking to mollify and collaborate with interest group leaders.

In exchange for policies in line with group leader aspirations government agency's can gain increased political and informational resources. These in turn can enhance the level of its policy and budgetary control. Certain agency attributes (described above) give increased value to interest group proferred payments. These are tied to the agency's level of security which agency actors seek to maximize in making policy decisions.

CHAPTER 5. THE SOYBEAN COMPLEX

5.1 Introduction

Soybean producer members of the American Soybean Association seek to maximize net farm incomes. Net farm incomes are influenced by the prices which farmers receive and the fixed and variable input costs which they must cover. Insight into recent trends in prices and soybean production returns is useful in testing the thesis. This discussion will also illustrate soybean sector complexity. This complexity contributes to the uncertainty under which producers and policy makers decide.

5.2 The Soybean Complex Since World War II

Beginning in the early sixties world trade in soybeans and soybean meal and oil increased rapidly. Rising real incomes stimulated increased consumption of livestock products and increased demand for oilseed meals. Technological innovations in food processing and changing consumer tastes increased vegetable oil use in food and industry. Many countries were unable to expand domestic oilseed production in line with demand and had to depend on imports. World export of soybeans grew from 5.3 million in 1959/60 to 28.5 million tons in 1982/83.

During this period U.S. soybean production increased almost sevenfold while world production increased approximately fivefold. U.S. producers became increasingly dependent on the export market. The proportion of the soybean crop exported increased steadily from 24 percent in the early 1960's to 37 percent in the early 1970's and 42 percent in the early 1980's. U.S. soybean export earnings averaged $6.21 billion for 1980-82, 15 percent of total U.S. agricultural export sales.

For most of this period U.S. producers dominated world soybean trade in whole beans and processed products. This dominance has decreased recently due to weakened demand for high-protein foodstuffs, competition from Brazilian and Argentinian soybean production, increased foreign production of vegetable oils such as palm oil, and the impact of foreign and domestic monetary, agricultural and trade policies.[1]

The demand for soybeans is derived from the demand for the joint products of meal and oil. Meal and oil market demand is significantly influenced by the high degree of substitutibility among high-protein sources and other fats and oils such as cottonseed, peanuts, sunflowerseed, rapeseed, flaxseed and palmkernel.

5.2 Production Characteristics, the Effects of Government Programs and Technological Advances

Few farmers specialize in soybeans. Most of the production and harvesting equipment for soybeans is interchangeable with wheat and corn. In most areas soybeans can be added to a farm's cropping pattern without a massive capital outlay. This makes soybeans both an important rotation crop and alternative enterprise.

As technological advances increased corn yields the demand for U.S. corn has been filled with fewer and fewer acres. Soybeans have moved on to the corn acres freed and onto acres released from oats, hay, cotton and pasture. Government programs designed to reduce feed grain output made soybeans attractive as a production alternative. Also, as demand growth in the soybean market kept pace with growth in output, soybean prices remained generally attractive for farmers (Houck 1972).

The number and size distribution of U.S. farms growing soybeans vary greatly. In 1982 the number of farms harvesting soybeans was estimated at 511,000, down from 550,000 in 1978. The number of farms harvesting 250 or more acres was largest in the Northern Plains' states of North and South Dakota, Kansas and Nebraska (1192 farms) and the Delta States of Mississippi, Arkansas and Louisianna (13,406 farms). The largest number of farms harvesting 249 acres or less (263,080 farms) was in the Corn Belt states of Ohio, Indiana, Illinois, Iowa and Missouri. In the Delta region over 50% of the principal crop acreage was planted to soybeans in 1983 while the Corn Belt planted 37 percent[2].

5.3 Soybean Policies in Brazil and Agrentina

Soybeans and soybean products are Brazil's largest source of agricultural export income reaching a record $2.6 billion in 1983. Brazil employs tariffs, quotas, licenses, price ceilings, currency adjustments and subsidies to assure domestic supplies at reasonable prices, expand local crushing capacity and increase soybean oil and meal export earnings.

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In 1976 Argentina's export control quotas were liberalized and export taxes reduced making their exports more competitive. In the early 1980's Argentina encouraged the export of processed soybean products. Increased production was stimulated by decreased fertilizer taxes. Although most of the fertilizer went to wheat production, soybeans benefitted as 80 percent of soybeans are double-cropped with wheat.

5.4 Trends in Prices and Returns

Prices of beans, meal and oil result from the interplay of demand forces, supply forces, and govermnent programs. There are several distinct features of soybeans and soybean products which influence the way these forces interact. These include the joint-product aspects of soybean meal and oil; the multiple domestic and foreign market outlets that compete for available meal, oil, and beans; the position of soybean products as major competitors in the fats and oils complex and livestock-feed sector; specific government programs for soybean price supports and concessional soybean-oil exports; government programs for other crops with similar production and end product use characteristics; and the operation of organized futures markets for beans, meal, and oil (Houck 1972).

Soybean prices followed a moderate upward trend through the 1960's and then increased substantially in the 1970's. Average farm prices (nominal) for soybeans rose from $2.13 per bushel for the 1960/61 marketing year to $2.85 in

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1970/71, to $7.57 per bushel for 1980/81. Average soybean prices for the years 1981 through 1985 are provided in Table 1 below.

Cash flow dropped from $103 per acre in 1980 (selling price at $7.57 per bushel) to $57 in 1982 (price at $5.69 per bushel). After a recovery in 1983 to $91.57 (price at $7.96 per bushel), per acre cash receipts above cash expenses dropped to $52.14 in 1984 (price at $6.05) and $52.32 in 1985 (price at $4.86)[3].

Table 1: Average Soybean Price to Farmers (1981-86)
(nominal, per bushel)

1981/82	$6.04
1982/83	$5.69
1983/84	$7.81
1984/85	$5.78
1985/86	$5.10

Source: USDA, Agricultural Stabilization and Conservation Service, 1986

Total returns per planted acre from soybean production vary from year to year depending on prices and yields. Total returns from soybeans dropped from $200 per planted acre in 1980 when average per bushel prices were $7.57 to $163.61 in 1982 when per bushel prices had dropped to $5.69. Although average yields increased from 26 bushels per planted acre in 1980 to 31 bushels in 1982, total returns declined because soybean prices dropped during the 3-year period[4].

This short description shows that between 1980 and 1985 (when the ASA campaign against AID took place) nominal soybean prices and cash returns per acre trended downward. Total per acre returns also followed a downward trend between 1980 and 1982 although per acre yields increased. These trends illustrate soybeans decreased value as an alternate income source to corn and wheat.

5.4 History of Soybean Programs

Price support programs for soybeans started in 1941 at $1.05 per bushel. A price support loan has been in effect every year since 1941 except for 1975. The loan and purchase agreement program has been the primary government program affecting soybean production.

Since World War II loans have not been mandated by Congress but are authorized at the Secretary of Agriculture's discretion. Price supports have not acted as a price floor in international trade prior to 1984 as market prices averaged above price support levels. During the past 30 years, the soybean loan program has served as a price floor only five times.

Up to 1985 there have been no acreage allotments or marketing quotas for soybeans. In the 1950's and through the late 1960's this allowed soybean plantings on land that could not be used for wheat, corn, rice, and cotton due to quotas and allotments. Soybeans were especially competitive in the Corn Belt and the Delta, the traditional areas for corn and cotton respectively.

While soybean supplies occassionally approached surplus levels during the late 1950's and afterwards, the situation did not become chronic. Soybean acreage continued to increase, but so did demand. Because of the increasing demand, policymakers were able to encourage a shift in acreage away from crops with chronic oversupply problems to soybeans. Another factor was that per unit soybean yields rose only gradually. Soybeans provided a viable exit option for corn, cotton or wheat farmers receiving low prices due to surpluses.

5.6 1985 Farm Legislation

Policy questions relating to soybeans in the 1985 farm legislation centered on the support level. The Government was aware that it would be committed to high support outlays if soybean prices fell below the loan rate. At the time the loan rate was set at the mandated minimum of $5.02 per bushel. Questions being debated prior to the 1985 legislative sessions centered on whether the loan should be discontinued or whether a new loan rate determining formula should be used. Foreign trade related issues concerned: the soybean export market expansion programs; embargoes; funding of export credit programs; cargo preference for U.S. ships; the strength of the U.S. dollar; exchange rate adjustments by other exporters; the need for countervailing programs to offset foreign export subsidies; a proposed vegetable oil tax in the European Community; proposals to limit imports of soybean meal and other feeds; possible changes in European

Economic Community feed grain policy; and foreign tariffs, levies, and other import restrictions.[5]

The ASA/AID case study will investigate why ASA leaders chose AID technology transfer as the target for member supported policy initiatives given this wide range of other issues more directly tied to short term increases in soybean prices.

Notes:

[1] "Soybeans: Background for 1985 Farm Legislation," U.S. Department of Agriculture/Economic Research Service, 1984.

[2] Ibid., pp. 9.

[3] Ibid., pp. 13.

[4] Ibid., pp. 14.

[5] Ibid., pp. 16.

CHAPTER 6. CASE STUDIES

6.1 Introduction

The model will be tested in application to two case studies. Both studies describe public decisions made during periods of increased domestic agricultural surpluses caused by excess domestic productive capacity and incentives and decreased international effective demand for U.S. exports. The focus on case studies dealing with the international agricultural economy is warranted due to the impact which conditions beyond U.S. borders have on rural farm family welfare.

The first case study explores some causes of the U.S. Agency for International Development's (AID) decision to emphasize consideration of domestic farm interests in its policy formulation activities. This policy innovation affected activities supporting production technology transfer to developing nation farmers. Factual material was obtained from interviews with actual or potential participants in the decision process. These included representatives of various AID offices, the Foreign Agricultural Service, the ASA, Bread for the World and other private voluntary organizations, Michigan State University's Collaborative Research Support Project, and other knowledgeable individuals. Information was also obtained from AID correspondence with the ASA and ASA newsletters and correspondence with members.

6.2 Case Study #1-The American Soybean Association and Foreign Aid

6.2.1 Description of the Public Policy

In the summer of 1985 the American Soybean Association (ASA) undertook a public relations and letter writing campaign blaming AID for the increased competitiveness of foreign agricultural producers and depressed domestic farm incomes. As a result AID increased the level of consideration given to U.S. farm interests when planning its development assistance interventions. In the September 13, 1986 policy determination entitled "Assistance to Support Agricultural Export Development" (AID/PD 15) AID stated:

> "It is AID policy to avoid supporting the production of agricultural commodities for export by developing countries when the commodities would directly compete with exports of similar U.S. agricultural commodities to third countries and have a significant impact on U.S. exporters."

Previously a similar policy had applied only to palm oil, citrus and sugar crops.

In addition to the policy determination, AID had agreed to the formation of an AID/ASA task force in early 1986. The stated role of the task force was to facilitate the inclusion of soybean producer input in AID's planning process. This resulted in attempts to identify joint activities in Haiti, the Dominican Republic and the Phillipines where local AID missions could collaborate with ASA technicians in stimulating local demand for U.S. soybeans. Increased ASA and INTSOY (International Soybean Program) collaboration was instituted by the inclusion of an ASA representative on INTSOY's steering committee and with INTSOY advisory participation in ASA policy discussions.

Certain personnel changes within AID's Bureau of Science and Technology (S&T) took place. S&T is the office most involved with agricultural technology transfer activities. The changes indicated that AID would pursue a higher level of domestic interest policy participation not only through policy directives but also in the day to day management of AID affairs.

In a paper delivered at the 1986 AAEA meetings, AID's Senior Assistant Administrator for Science and Technology explained:

> "U.S. domestic interests are an important consideration in foreign assistance development programs that facilitate technology transfer. After all, the U.S. public pays for these programs, and if domestic interests are not considered, they will stop paying the bill...The Agency for International Development must take U.S. domestic interests into account in its policy initiatives on technology transfer." [1]

6.2.2 Principle Issues

The principle concern elucidated by ASA leaders was the U.S. government's role in supporting the agricultural sectors of foreign nations. The ASA asked why the United States should spend money for agricultural development abroad when budgets were tight and many farmers in the U.S. were facing bankruptcy? Why assist nations in producing more food when U.S. farm surpluses are so large and U.S. exports depressed?

Supporters of development assistance activities contended that it is a sound investment in the long term growth of foreign markets on which U.S. agriculture is so dependent. Encouraging rising incomes and greater effective demand in less developed nations was the best strategy to increase the potential for future agricultural exports.[2]

These were the more formal issues. Behind the scene discussions revealed the ASA's desire to influence Congress with the AID/Trade relationship. This issue concerned the use of P.L. 480 concessional sales in pursuit of future developing country dependence on U.S. agricultural exports. The ASA was also in accord with other farm interests in pushing Congress to make agricultural exports the number one priority of the Department of Agriculture.

Another issue had to do with the relations between U.S. farmers and land grant universities that receive producer checkoff payments and federal financing in support of agricultural research (Checkoff payments are farmer approved, per bushel payments levied on soybean sales). This issue was important to farmers, farm organization leaders, university agricultural administrators, and the USDA.

Farmers posed the question: If land-grant universities help developing nations increase their domestic agricultural production, won't that have a negative impact on U.S. agricultural exports to these countries (Kellogg 1985)? In fact, it was this issue that awakened ASA leadership to the potential for substantial producer response to the AID question. Five soybean farmers, an ASA leader, and a key U.S. Congressional policy maker, went to Brazil and Argentina in March, 1985, to see how trade and domestic agricultural policies were impacting the potential of U.S. soybean markets. Upon returning the ASA leader alleged to non-touring farm leaders that the University of Illinois's INTSOY had made a substantial contribution to the strong growth and competitiveness of the Brazilian and Argentinian soybean sectors. It was due to the farm leaders' remarkably strong reaction that the ASA leader realized this as an issue which merited further member exposure.

Finally, and perhaps most importantly, was the impact which depressed soybean exports and prices had on ASA membership and checkoff payment support of ASA activities. The ASA uses checkoff dollars to operate over 200 export promotion activities in 76 countries. Ninety-three percent of farmer checkoff funds are allocated to export promotion, research and education. Concurrent with the AID focused public relations and petition campaign ASA leadership undertook a membership and checkoff payment increase drive (see Appendices II, IV). Decreased member contributions forced reductions in ASA annual contributions to market development activities beginning in 1984 (see Appendix VI).

6.2.3 Background

In the mid-1980's a number of groups became concerned about the decreasing ability of American producers to compete in international agricultural commodity markets. The strong dollar, world recession, trade subsidies and increasing quantities of agricultural exports from developed and developing economies in Latin America, Asia, Europe and to some extent Africa had caused the U.S. world export market share to drop about 25% over the previous 5 years. In that farm exports sustain over a million U.S. jobs, cut tax costs for farm programs, and contribute to low cost agricultural production benefiting consumers, reduced exports had wide ranging impacts.

The shrinking U.S. export market seemed even more troublesome when compared to export growth from 1973 to 1981. During this period U.S. agricultural exports increased at a rate of $2.1 billion (1985 dollars) per year. The annual rate of export decline after 1982 averaged almost $1.6 billion. In 1982, agricultural exports dropped by $4.7 billion in value and 4.4 mmt in volume (Rossmiller 1986)[3].

The downward trend had serious repercussions for the U.S. farmer and the general economy. Agricultural trade balances were dramatically affected causing widespread concern. The U.S. agricultural trade surplus had played an important role in providing needed foreign exchange for the increasing levels of imports. In addition, the USDA's price support programs to enhance farm incomes and stabilize farm prices resulted in billions of dollars of unexpected federal outlays as the government tried to compensate for the price affect of decreased foreign demand and excess supply. Despite record farm program outlays a significant number of farmers experienced declining incomes and an inability to repay operating debts or service land and equipment investment loans. Many of these capital debts had been incurred in the optimistic atmosphere of the 1970's expanding cash grain markets.[4]

The policy debate became dominated by the agricultural sector's excess capacity to produce at existing incentive levels, declining export opportunities, chronic surpluses, overinvestment in farm land, record federal costs and increased federal intervention. The actual or potential financial failure of many thousands of farms became an important concern for farm families and the general public. It was estimated that one-third of the 700,000 commercial family farms operating in the early eighties would be significantly affected. The size of many operations would be reduced while other farm families would be forced to abandon farming. These conditions would affect other rural industries and institutions as new machinery and input demand decreased and financial institutions struggled with defaulting loans (Schnittker 1986).

The commodities which were most affected during the export boom years were corn, wheat, and soybeans. Rice and cotton also experienced notable export volume gains. In the 1970's and early 1980's corn, wheat, and soybeans consistently accounted for more than half of the value of U.S. agricultural exports and three quarters of the volume. When export demand contracted wheat, corn and soybeans where the crops hurt most.

Few farmers specialize in soybeans. Most produce soybeans in conjunction with corn, wheat or cotton. Although the excess soybean capacity was not as problematic as for the other crops, corn, wheat and soybeans are produced on the same farms, with the same equipment, and to an extent for the same markets. Soybeans shared in the effects of the huge excess production capacity plaguing the farm sector (Schnittker 1986).

The depressed state of other U.S. industrial sectors such as steel, automobiles, textiles, and consumer appliances was also attributed to the increased competitiveness of foreign country producers. Japan, South Korea, Taiwan and other nations were increasing industrial exports to the U.S. and other former U.S. markets. U.S. industries were forced to cut production costs leading to reduced labor inputs and the transfer of production activities overseas. Increased economic protectionism was evident in public and political forums and the media. The term techno-nationalism epitomized the rising public frustration over the use of allegedly U.S. developed technologies by increasingly competitive foreign nations.[5]

6.2.4 The Actors

Prominant among the groups concerned with the deteriorating domestic agricultural economy and the rising resentment of U.S. technology transfer overseas were the American Soybean Association, individual members of Congress and their staffs, the U.S. Agency for International Development and various universities most notably the University of Illinois where INTSOY (the International Soybean Program) is located.

The American Soybean Association was responsible for representing the interests of American soybean producers and processors in the creation of new markets and the influencing of government policy. Its stated purpose is to increase soybean producer profits. The ASA is an organization of state affiliated committees and associations supported by member dues, state legislature approved soybean checkoff payments, appropriations from the USDA's Foreign Agricultural Service (FAS) and contributions from other cooperators. In 1985 the ASA budget was $17 million of which $6.9 million was contributed by the FAS. State associations select their own leaders and are politically active on the state level.

Organized lobbying activities on the national level are based in varying degrees on policy resolutions passed at annual membership conferences. The ASA maintains a Washington D.C. staff of two lobbyists and several supporting technicians for implementing these resolutions and undertaking other policy related activities. The ASA also provides members with information services concerning product and input markets and technology as well as undertaking significant overseas market expansion activities.

The staff of the American Soybean Association numbers 155.[6] The vast majority of staff members devote their time to market related services but routinely contribute research and information to lobbying activities. Staff members also communicate with organization members through newsletters, magazines, specially prepared literature and media releases.

Formal policy making for the national organization is undertaken by officers and committees elected by the general membership. Officers must fulfill certain minimum requirements related to the scale of their soybean operations. These officers and committee members can enhance the ASA's lobbying acivities as they are often respected members of their communities.

As stated in an ASA publication[6]:

"Farmers are taken seriously by our legislators, and sometimes can tread into waters lobbyist cannot," says American Soybean Association President George Fluegel, a central Illinois farmer and a frequent visitor to Washington. Soybean Association farmer members play a critical role in developing ASA policy. Every summer, voting delegates who represent 29 states meet at Soybean EXPO to develop, change, and approve ASA policy resolutions, an all emcompassing set of policy statements.

The average ASA member is 47 years old and farms 1100 acres of which 447 is in soybeans. Soybeans account for 52 percent of the gross income of the average member. In 1984, Iowa and Illinois had the most association members, 4334 and 6999 respectively, of a total national membership of 27,346. Iowa and Illinois farmers accounted for about 30% of the total 1984 ASA member production.[7]

It is of interest to compare ASA member characteristics with national agricultural producer characteristics. A special tabulation of the 1978 U.S. Census of Agriculture showed that of all farms harvesting corn in Illinois, 79 percent also harvested soybeans. Results were similar for Iowa where 73 percent also harvested soybeans. Of the farms harvesting wheat in Illinois, 92 percent also harvested soybeans. Of the U.S farms harvesting soybeans in 1978, over 65 percent received half or more of their total value of sales on agricultural products from cash grains. The percentage increased steadily as the harvested acres per farm increased: 52 percent for farms harvesting 1-24 soybean acres, 64 percent for 25-99 acres, 75 percent for 100-499 (447 acre for the average ASA member) acres and 83 percent for farms harvesting 500 or more.[8]

The ASA had been active in several policy areas prior to and during the AID/ASA debate. As described in "Yes We Can" an ASA supplemental publication (see Appendix I):

-The ASA policed futures trading. Farmers charged market manipulation was affecting soybean prices. An ASA study revealed nothing but a past ASA chairman became a voting member of the Chicago Board of Trade's Board of Directors.

-Stopped U.S. steel import quotas and prevented retaliatory measures by Japan and Korea, two big soybean importers.

-The ASA was outgunned on elimination of cargo preference restrictions. Soybean farmers fought hard to eliminate cargo preference restrictions but lost the battle, at least for now, to roll back U.S. flag shipping requirements.

The U.S. Agency for International Development (AID), as the foreign economic assistance branch of the U.S. government, undertakes a number of economic development related activities. Included among these is the financing and management of activities aimed at developing new production technologies and crop varieties for use in developing countries. One AID project provided funding to INTSOY for research, testing, breeding feasibility studies, training and other activities intended to assist lesser developed countries improve their soybean production and processing capacity.

AID asserts that there are several reasons why the U.S. public values U.S. assistance to developing countries. They cite humanitarianism. The more affluent and technologically advanced nations have a moral obligation to help countries whose people are hungry and malnourished. Providing U.S, assistance to poor countries is the right thing to do.[*]

The second reason is that such assistance can promote world peace and international political stability. The third reason is the export gains the United States can realize from improved economic circumstances in developing countries. AID contends that development assistance can contribute to these goals by alleviating world hunger, increasing world agricultural trade, improving the competitiveness of U.S. agriculture (due to the benefits of collaborative research) and enhancing the quality of the environment.

AID's contention that U.S. citizens feel positively about economic assistance provides little insight as to their views concerning AID as the vehicle for providing this assistance. The U.S. citizenry has a long history of providing assistance through religious, charitable, and private voluntary organizations. In 1980 these contributions were almost equal to the development expenditures undertaken by the federal government (Overseas Development Council 1982). Secondly, a quick review of AID budget allocations will reveal that geopolitical considerations dominate economic and humanitarian in determining how AID monies are spent.

Based on constant 1982 dollars, total U.S. economic assistance (including Economic Support Funds or ESF) has decreased 12% since 1972. Of the economic assistance total, development assistance (under which agricultural research would be funded) has decreased 47%, concessionary sales of U.S. agricultural commodities (P.L. 480, Food for Peace) have declined 66%, while ESF has increased 112%. ESF funds (over 35% of all economic assistance) are now greater than funds provided to AID for its more purely development related programs.

ESF is used to promote economic development and political stability in regions where the U.S. has particular foreign policy interests and has decided that economic assistance can help secure peace. ESF expenditures illustrate an AID policy trend which it did not describe during participation in this debate. Of the top 30 nations receiving ESF, only two, Somalia and Haiti, ranked among the 30 poorest nations in the world. Egypt, Israel and Turkey head the list of ESF recipients while they rank 48, 113 and 72 out of 145 nations respectively (#1 being the poorest nation) ranked according to GNP (1980-1983)(Wennergren 1986).

Nor is AID funding aimed at the increased developing nation aggregate demand which would serve U.S. agriculutural commodity producers' interests in the long run. The relative size of AID investments in the very poor and highly populated developing nations of Asia and Africa are too small to have any significant impact on effective demand.

AID operates in an environment of extreme uncertainty. It is commonly perceived as ineffective (Tendler 1987). Tales of wasteful spending practices and projects that do more bad than good abound. AID itself is unaware of how to optimize a developing nation's economic growth rate. It seems rational that AID evaluate its performance on the basis of federal budgetary allocations. This orientation is reinforced during governmental infighting in Washington, thousands of miles away from politically powerless developing nation farmers, the supposed AID service recipients. AID's contentions as to its humanitarian and economic objectives indicate its failure to find a comfortable niche in the U.S. public's political consciousness.

The general public exhibits considerable uncertainty and doubt as regards AID's impact on developing nations and U.S. agriculture. U.S. citizens lack understanding as to the reality and complexity of the world food situation. An attitude of "If they would let us we could feed the world" prevails among many people. Individuals are very concerned about the mixing of political and military objectives with agricultural assistance efforts. They are troubled by food embargoes and federal export limitations. Common questions illustrate a desire to know what kind of actions, strategies, and programs are effective for U.S. involvement in international assistance. What is the proper mix of food aid and commodity research? U.S. citizens are unaware of the major international agencies, how they are related to each other, and how they affect U.S. agriculture. There is a lack of knowledge of U.S. supported bilateral and multilateral assistance agencies. Supporters of church groups and private voluntary organizations view their role as different from that of government agencies but are unsure as to how these smaller agencies can be effective (Kellogg 1985).

Members of Congress and their staffs take center stage in holding hearings, conducting investigations, writing laws and allocating financial resources to various agricultural and foreign assistance programs.

Members of Congress from major commodity states were drawn into the debate by a barage of letters from farmers and farm related interests. These they forwarded to AID offices requesting clarification of AID policies. In this way they illustrated their uncertainty and concern as well as their responsiveness to constituent interests. As a result AID was impressed with the seriousness of the issue.

Senator Dale Bumpers of Arkansas was particularly important in this respect. It will be shown that his efforts, and those of his staff, significantly reduced the need for ASA coalition building political resource expenditures during this issue debate.

6.2.5 Important Goods and Interdependencies

The ASA's major organizational focus is the creation and maintenance of effective demand for U.S. soybeans. It maintains 11 overseas offices carrying out 200 export promotion projects in 76 countries.

Effective demand is directly tied to the returns which soybean producers receive for production activities. It is an inclusive non-optional impact, high exclusion cost good. Because effective demand benefits can be provided to an additional ASA member at no extra cost to the ASA (marginal cost of another user is zero) ASA leaders would react positively if more producers attributed high soybean prices to the ASA and either joined and paid dues or supported higher state checkoff payments.

Theoretically, the ASA would not welcome more U.S. "users" of the effective demand, or soybean producers, due to the price reducing impact of their production (marginal cost not equal to zero due to the impact on good "quality"). However, within the United States where the ASA attracts virtually all of its members, and with respect to the economic conditions prevailing during the time of the ASA/AID debate, the ability of individuals to produce soybeans, and take advantage of effective demand, wass limited. A wide range of environmental, human capital, financial, and economic contingencies prevent non-farmers from undertaking, or farmers from significantly expanding, soybean production activities. To the extent that these contingencies limit the number of new soybean producers, ASA leadership would view increased membership drawn from the existing producer population positively.

Effective demand also has exclusive good qualities.

Effective demand and its relation to supply affects price. In a market situation, a higher price is such that if one firm sells more at that price, other firms must sell less. The benefits that price provides are fixed in supply (Olson 1977).

The ASA would like to exclude other non-ASA, non-U.S. "firms" from access to price. Due to the atomistic nature of the agricultural production sector one firm can make very little difference in a commodity's price. In the worldwide marketplace agricultural products are generally marketed by large corporations which aggregate the production of many relatively small farms. The ASA cannot prevent these corporations from operating in the international marketplace. Only by discouraging the production of non-U.S. farms can the ASA exclude non-ASA interests from access to the market price.

At the ASA level the good which the ASA provides for ASA-U.S. members is inclusive. At the international level the ASA reacts to the exclusive nature of their good. To maintain the higher price which effective demand brings about for ASA members the ASA would wish to exclude non-ASA, non-U.S. producers from access to that price. Their inability to accomplish this is due to its high cost of exclusion.

AID provides a high exclusion cost, non-optional impact good. Economic assistance may or may not have value to a U.S. citizen due to her humanitarian, economic, or political interests. The good may constitute a "public bad" to some tax paying individuals who contribute to its support (Olson 1967) and can't avoid its impact. The ASA contends that AID activities run counter to its desire to maintain high effective demand (and prices) for U.S. soybeans. In a sense, through agricultural production technology transfer to developing nations, AID provides potential competing nations (non-U.S. firms) the access to price. Thus, the high exclusion cost good which the ASA provides to its members, political representation, is aimed at restricting AID's technology transfer activities. It pursues increased ASA influence in determining the quality and quantity of the non-optional impact good which AID produces. AID's new policy orientation in response to ASA initiatives constitutes a new high exclusion cost good for ASA members and non-members alike.

In seeking this new policy orientation the ASA sought a higher degree of control over AID resource allocation decisions. The ASA pursued AID's incorporation of ASA and U.S. soybean producer interests into their policy and planning processes. The ASA leaders and members felt that their expectations in this respect were legitimate in that AID activities were financed with tax revenues contributed by ASA members and other soybean producers as well as the general public. The ASA felt they had a right to participate in resource use decisions.

This last aspect of ASA/AID interdependence was the most important for AID. AID would eventually formally recognize the rights which domestic interests had as regards its activities. Contributing to this formal recognition, and during the process that this case study analyzes, AID was concerned with its organizational viability. AID feared increased exposure to critical scrutiny and control by Congress. The decreases which AID development assistance budgets have sustained over the last decade or so have been noted. In that the ASA seemed able to influence Congress, AID was intent on increasing its level of interaction with ASA leaders, as well as other agricultural commodity interest groups, in order to protect its access to financial resources.

6.2.6 How the Interdependencies Were Carried Out

ASA leaders sent out communications attributing the soybean producers' decreased farm incomes to a lack of consideration of their interests in the public decision process. The ASA undertook a public relations campaign to mobilize members and sensitize concerned public decision makers to the political and financial resources which soybean interests wield. An essential element in this campaign was the identification of an issue which members would react to. ASA leaders realized that by blaming AID activities for decreased U.S. soybean export market share they could obtain significant member response. It was easy to criticize tax financed U.S. development assistance programs by alleging that their implementation was detrimental to the farmers' interests. As stated in a member newsletter, "While you and I and other farmers are struggling to make a profit our government is helping foreign competitors".

As stated in a June, 1985 ASA newsletter entitled, "ASA Leaders Draft Resolution Aimed at Government Export Policies":

> "Citing the U.S. government's lack of commitment to an aggressive export policy as the root cause of the current farm crisis, ASA farmer leaders recently proposed a resolution calling for the end to administration policies which adversely affect exports.
>
> "The proposed resolution urged the administration to take the following steps to restore vitality to U.S. agriculture and the exporting sector of the U.S. economy: (three of the nine steps are cited)
>
> 3. Eliminate grants and technical assistance which directly or indirectly assist foreign nations expand the production of competing commodities.
> 4. Vote against loans by the World Bank and other multinational financial institutions which expand the production or export of competing commodities by foreign countries.
> 5. Redirect research funding from federal monies currently aimed at assisting foreign competitors to research aimed at boosting U.S. agricultural productivity, lowering costs of production and boosting overall U.S. agricultural competitiveness."

Other resolution steps focused on making export expansion a national priority unhindered by foreign policy constraints, the use of export incentive programs, the renouncing of export trade restrictions as a tool of foreign policy, the development of aggressive strategies to counter unfair trade practices by all other exporting nations regardless of political ideology or financial condition, and an end to discriminatory duty treatment of the Soviet Union and other nations provided that these nations maintain a negative trade balance with the U.S.

In the months following this resolution state soybean growers' associations and the ASA informed soybean producers of an alleged threat posed by Brazilian and Argentinian soybean producers ("the second and third largest exporters of soybeans and soybean products") and how:

"Our government just recently voted yes for a $200 million World Bank loan to help Brazil improve its railroads so they can get their farm products to export markets faster! In addition the Treasury Department proposed to lend Argentina $450 million in the form of a loan to tide that nation over its current financial situation."

Another ASA newsletter contended that:

"AID FY (fiscal year) 84 grants to expand foreign farm production totaled $341,137,588...millions more that USDA's $90 million budget for the Foreign Agricultural Service to expand U.S. farm exports!" (see Appendix II).

A September, 1986 article in the Pennsylvania Farmer[10], extensively quoting an ASA representative, forwarded the following suggestion to alleviate America's agricultural crisis (see Appendix VII):

"End the asinine federal policy of funding foreign competition against American farmers. We cannot turn our backs on hunger and malnutrition. But we cannot continue to help our competitiors cut our throats in international markets. Our land-grant schools were established to help American farmers. They should stick to that mission."

ASA information was obtained from one public domain, governmental budget document listing annual and total expenditures for AID projects. Various methods of presenting this budget information could lead to different conclusions. AID contended that the $341 million which was alleged to have gone to U.S. universities for agricultural research ("to expand foreign farm production") in fiscal year 1984 was for length of project (i.e. several years) funding and included activities other than agriculture. AID stated that only 43% of this amount was for agricultural projects and most of the rest went to health activities.

The effect of the ASA campaign of newsletters, articles, petitions and membership drives was a substantial number of letters from farmers, agribusinesses, farmer wives' groups, members of other farm organizations and other interested individuals and groups, to members of Congress from major commodity states and the President. Much of the correspondence illustrated how emotional the issue had become in rural communities.

As explained by a staff member for Senator Bumpers (Arkansas), prior to news articles in the farm press and the flood of letters to members of Congress in response to these articles, the Senator had little knowledge of AID activities. Bumpers's office requested clarification from AID and received what was deemed an unsatisfactory response alluding to the errors in the press release but not substantiating misinformation allegations. Bumpers's office then contacted the ASA leader who was cited as a contributor to the articles. The ASA leader explained that the information for the articles was in the public domain and sent a list which the ASA had drawn up detailing AID project funding. Senator Bumpers was primarily concerned with AID/university cooperation in research on rice and soybeans which are major crops in his state. Bumpers decided to introduce relevant legislation into the 1985 farm bill debate. During the legislative process leading to formal introduction, legislators from states with universities receiving AID funding notified university representatives and collaborated in limited resistance to the amendment's introduction. Bumpers' staffers met with representatives from mid-west and southwest university consortiums to discuss his proposed amendment. Staffers described the proposed amendment as politically popular (see Annex V). They explained that AID was not absolutely opposed to the bill's introduction. The University of Arkansas finally and hesitantly agreed to accept the proposed legislation and university resistance dissipated. Afterward the staffer would explain that although the universities objected it was politically better to please angry farmers than disturbed universities.

AID's Bureau of Science and Technology (S&T) was responsible for the design and management of agricultural research projects with universities such as the University of Illinois' INTSOY project. They were the AID bureau most threatened by the rising outcry against U.S. financing of agricultural production research. S&T realized that the blame for the current farm situation was being levied on universities and research organizations funded by AID. This created the potential for a major inquiry by Congress and farm organizations. S&T also realized that Congress had the authority to reduce development assistance expenditures or initiate policies to restrict agriculture related activities. AID was well aware of the existing power holders potential to affect its activities but less certain about the ASA's abilities.

Although AID has a legislative affairs office which coordinates responses to congressional inquiries, they were not adequately prepared for this issue. AID belatedly instructed the INTSOY project manager to monitor related occurences and interface with relevant groups and individuals. AID undertook an information campaign in response to articles in the Washington Post[11] and farm press and to statements made during congressional debates. They pursued opportunities in two areas. They discounted ASA allegations that AID activities had increased Brazilian and Argentinian competitiveness and they attempted to illustrate that foreign assistance investments lead to increased U.S. agricultural exports in the long term.

AID explained that:

1. The U.S. had provided some technical assistance (to Argentina) to improve general agricultural research capacity in the 1950's to 1960's. No technical assistance was provided specifically in soybeans.

2. Beginning in the 1950's, the USDA and AID provided assistance to Brazil for variety introduction and improvement and training until the late 1970's. Currently, AID does not have a bilateral program in Brazil.

3. From 1973-1982, INTSOY assisted LDCs worldwide in research, testing and breeding feasibility studies, consultancies, etc. The project did not work in Brazil. During this period INTSOY became a world center for soybean technologies used by many countries. It has been a center for the U.S. since the 1930's.

4. Since 1983 INTSOY's major focus had been on soybean utilization. This focus encouraged the use of soybeans in some countries and increased imports from world markets including the U.S.

AID emphasized that the U.S. accounts for 75% of the world's soybean and soybean product exports. Brazilian trade in soybeans and soybean products (mainly oil) is about 20%

of the total while Argentina's is approximately 5%.

AID and the USDA had pursued empirical research and developed econometric models illustrating the impact of developing country economic growth on U.S. coarse grain exports. AID pointed out that developing nation research leading to improved agricultural production technologies is essential in stimulating the broad economic development which increases aggregate income and demand for imports. AID asserted that USDA research showed a very direct relationship between developing nation economic growth and increased imports of U.S. agricultural commodities. However, there was no research undertaken to determine the contribution of AID activities to this economic development.

INTSOY also became involved. It developed a fact sheet in response to published statements about INTSOY's research and education activities. INTSOY stressed that they work almost exclusively in less developed countries that are not direct competitors with the U.S. INTSOY had received a total of $6,456,404 in funding for all of its projects during the 12 year period 1973-1984. The total amount which INTSOY recieved for fiscal year 1984 was $850,000. INTSOY also began corresponding and meeting with members of ASA's executive committee.

In this case Congress possessed the ultimate authority over AID activities. Time and resource constraints made it impossible for the concerned elected officials to determine what impact U.S. technology transfer activities would have on the broader intrests of American society. This uncertainty provided each actor the opportunity to influence the final decision by providing information supporting their position.

Members of Congress also noted the amount of pressure (letters, personal contacts, past favors received) which one group or the other brought to bear on them. Relying on their existing grass roots communication network and the media, the ASA had an distinct advantage in making their point of view predominant. AID possessed no similar structure and operated under legislation that limited lobbying activities it could undertake in its own behalf.

The following quote from the Senate Congressional Record (September 22, 1985) made by Senator Bumpers during the AID debate illustrated the impact of the ASA campaign:

> "When it was determined, and the press reported, that grants were going to American universities to help Brazil improve the quality of their soybeans that compete with us in international markets--and Brazil is one of the biggest nemeses we have in this business--our farmers were outraged."

Bumpers would eventually sponsor formal legislation to restrict AID activities. Although ASA leaders denied any role in Bumpers's amendment, the supporting arguments he forwarded during his presentation contained rhetoric taken directly form ASA newsletters and press releases. Bumpers would evenually visit AID offices to explain that the legislation was meant for "local consumption" in reference to his view of his constituents' opinions. He also expressed concern that he "was author of an amendment that had an adverse effect on starving people"[12].

Unable to counter the ASA public relations campaign AID and INTSOY sought to allay ASA concerns through direct communication. An ASA/AID task force was established to facilitate information exchange and discussion. Meetings were set up which included members of the ASA executive committee and senior AID officials from the Bureau of Science and Technology as well as the chiefs of the African and South American Regional Bureaus.

A series of discussions and letter exchanges took place focusing on how AID and the ASA could collaborate more closely in the implementation of AID activities. Initially, each party outlined its position and described the value and value free information on which the position was based. ASA's main thrust was to remove INTSOY and AID from any activities encouraging soybean production overseas and to reorient their focus to fostering developing country utilization of U.S. produced soybeans.

AID pointed out the inaccurate information which the ASA had provided in promoting its position. AID explained that the developing countries which AID supports had not been able to increase their per capita food production more than 2% in the last eight years. In addition, many of these countries are sources of germplasm essential in the improvement of U.S. crop varieties and important to the viability of American agriculture. AID reiterated the linkage between developing nation economic growth and imports of U.S.

soybeans. AID representatives also pointed out that since the early 1970's they had not had soybean related activities in either Brazil or Argentina.

AID would finally propose that the ASA become involved with AID and INTSOY at two levels. The ASA could collaborate with INTSOY in identifying new ways to meet the food and feed needs of developing nations. The ASA/INTSOY efffort could pursue the development of processing technologies for the production of human food and animal feed at the village level. In addition, collaboration could employ ASA marketing expertise in identifying alternatives to the traditional use of soybeans in the form of oil and meal. These initiatives could result in new export markets for U.S. produced soybeans.

As a result of ASA/AID interaction an ASA staffmember became a standing member of the INTSOY steering committee and someone from INTSOY now serves in an advisory role to the ASA. It was decided that INTSOY would focus entirely on soybean utilization research. Additional discussions between AID and the ASA focused on the transfer of a Haitian government oil extraction plant to a private firm under the auspices of AID's program in Haiti. ASA volunteered technical assistance for feasibility studies and planning the plant's operation and requested AID political and financial support.

The ASA had succeeded in illustrating its effectiveness in defending the interests of its members. In a subsequent

ASA news release to members the ASA announced that AID would no longer fund projects that assist foreign soybean production and that this policy change was because of concerns expressed by the ASA. Another member letter described an AID unofficial response as, "We agree, now call off the dogs." The ASA contended in another member supplement (see Appendix III):

> "(We) Fought AID programs that help competitors. More than 9,000 soybean formers signed ASA petitions, urging the Agency for International Development to stop funding production programs that help out foreign competition. Following meetings with Soybean Association leaders, A.I.D. officials agreed to evaluate the impact of agricultural development programs more carefully in the future."

AID also received some benefits from resolution of this issue. In subsequent interviews an AID bureaucrat stated that the task force would be longstanding and that the ASA appeared to be a viable partner. AID representatives were invited to social gatherings regularly attended by ASA leaders. Here they were presented the opportunity to converse with members of Congress and staff members. As this bureaucrat stated, some of these decision makers were anti-AID and although they weren't easily converted at least they seemed less vehement in their opposition after conversing with AID personnel.

6.2.7 Summary

The previous case study illustrated the role of uncertainty in the public decision process. The provision of biased information, and the political atmosphere concerning U.S. economic relations with both developed and developing countries, contributed to policy changes within AID. However, the financial situation facing large numbers of U.S. agricultural producers was the most fundamental factor influencing this policy debate.

The question as to whether the described policy process is relevant to real solutions to the farmer's problem is beyond the scope of this study. We can draw certain conclusions as to whether the farmer's condition was more than an instrumental consideration through application of the hypothetical model.

The model contains several hypotheses as to how group leaders promote group member participation in discrete struggles which leaders identify. According to the free rider theory this participation has no rational basis. Group members will enjoy the benefits of group activities whether they contribute (participate) to them or not. In terms of latent groups, the acts of free riding group members will not affect or even be known by other latent group members. Here it is posited that potential free riders undertake activities within a group due to a number of antecedent variables including uncertainty, public sentiment, relative deprivation, cost limiting decision processes, problem resolution alternatives, and group leader behavior.

6.2.8 Actual Behavior Relative to the Model's Predicted Behavior

Group leaders create a feeling of common values and goals among group members thus encouraging them to react against circumstances which threaten individual and group welfare. Feelings of dissatisfaction and relative deprivation contribute to the identification of group solutions to individual problems.

ASA leaders continuously reinforce group identity through communications with group members and by bringing members physically together at state and national conferences. They portray farmer member contributions to policy resolution and lobbying activities as determinant in policy outcomes. Group leaders use such phrases as "farmers fought hard", "soybean farmers charged", or "soybean farmers were betrayed" to emphasize group solidarity and struggles (see Appendix I).

The issues which receive the most exposure seem to be related to long standing farmer foes. The Chicago Board of Trade is said to injure farmers by manipulating soybean futures prices. The shipping industries high shipping rates are blamed for the decreased competitiveness of U.S. soybeans. Along with statements depicting a "we-they" relationship between foreign and U.S. soybean producers, the ASA stressed that the farmers' own tax supported government was most interested in spending federal monies on foreign producers while refusing satisfactory price support levels and neglecting export expansion. These kinds of communications, and the investments which they entail in terms of working or fixed capital transaction expenditures and direct outlays, increase member willingness to contribute. They also increase the expressive utility which the member experiences in contributing.

Member feelings of dissatisfaction and relative deprivation were due to the decreased demand for U.S. cash grain exports and its effect on prices, farm stability and rural economies. During the optimistic export boom years of the 1970's the aspirations of cash grain producers grew in regards to expectations and confidence. The precipitous export market shrinkage that took place in 1982, and the continuing downward trend, seems a classic example of the sudden blockage variable in relative deprivation theory. As for reference groups, U.S. soybean producers may use Brazilian or Argentinian farmers as reference groups, or they may refer to their own past performance. Exposure through the media and personal contacts emphasized that thousands of farmers were experiencing similar problems. This led to the identification of structural variables as the cause. This aided ASA leadership in limiting decision making costs.

Observing aggregate conditions may fail to describe precisely the individual's perception of alternatives for resolving her problem. Certain circumstances support the conclusion that financially troubled farmers realized a lack of alternatives. A large number of individual farmers lacked the capital or access to credit with which to change enterprise combinations. Soybean producers also produce wheat or corn. All three of these crops suffered depressed prices. In the past, soybean producers were able to add soybean production, or plant acreage set aside under wheat and corn loan programs with soybeans, to enhance farm incomes depressed by corn and wheat surpluses. Reduced soybean exports eliminated this as an alternative. It also contributed to decreased land and machinery values and the inability to shift production resources.

Many farmers enjoy farming as a livelihood and would view the abandonment of farming as the most costly alternative. In many rural communities opportunities for alternate employment are scarce or unattractive due to low wages or relative working conditions. In addition, agriculture related industries such as the marketing, transportation, handling and storage of foodstuffs, suffer from the same economic downturn plaguing farmers. Although social costs for farmer adjustment might appear low, individual perceptions of adjustment costs may approach infinity. Maslow (1970) explained that even if all basic needs are satisfied, discontent and restlessness will plague the individual unless she is doing what she is "fitted for". If a farmer is to be happy she must farm. In relation to these costs individual perceptions of information assimilation and participation costs inherent in group activities are acceptably low. The expressive benefits or reform utility gained from participation increases.

ASA group members and the U.S. public lacked knowledge concerning economic assistance agencies, policies, strategies, effectiveness and impact. For many, decision cost expenditures in relation to development assistance would be prohibitive. On an ongoing basis the ASA provides members with technical and economic information related to the soybean complex. The ASA has undertaken a number of highly visible soybean market expansion activities beginning in the 1950's. Most publicized ASA leaders are soybean producers. They hold similar values and speak the same language as members. For many ASA members, it is likely that leaders became sources of inexpensive information. This is especially true relative to a complex issue such as development assistance.

Group leaders rely on member uncertainty and cost limiting approaches to decision making when inducing member participation in a discrete struggle. In the case under study, the ASA leader by chance identified the AID issue as volatile. He quickly (and inexpensively) compiled a list of AID investments from one government document avoiding direct outlays for position research. This list became the basis for the ASA's information campaign (see Appendix VII). The accuracy of the information was of less importance than group member and public reaction. Senator Bumpers's sudden interest in AID also illustrates how public decision makers were previously unaware that this was an important political issue. Bumpers employed inexpensive, "subsidized" information in identifying this issue.

Member and public reaction also aided ASA leaders in limiting intragroup decision costs and contractual costs. Much public sentiment, especially in rural sectors or former industrial states, was based on perceptions of the negative economic repercussions of foreign economic activities. The farm and general public press carried most of the load in disseminating the ASA view due to their perception that this was a hot item. Enough members of the ASA and the general public reacted to ASA assertions to affect change. No public debate of the impact of this change was evident. Group leader timing in the introduction of this issue contributed to its cost effectiveness.

There was a lack of active concentrated interests to support AID activities or question the validity of ASA allegations. The interacation of the Bumpers staff with university representatives served to disarm one threat with virtually no transaction (payment) cost to the ASA. For the ASA this was fortuitous.

Universities also undertook research and information campaigns to inform the agricultural public of the benefits of developing nation growth. However, this was after the fact. In addition, universities may not possess the language facility and communication network of the ASA and other commodity orgnizations. Finally, although the universities can point to significant evidence of the benefits to U.S. producers of international economic growth they have been unable to illustrate that AID contributes to that growth.

Traditionally pro-development assistance groups, such as Bread for the World, have a mixed opinion of AID. They may be more apt to oppose domestic restrictions of multilateral assistance agencies than to defend AID budgets. Bread for the World deals with farm organizations on a regular basis. In view of their other lobbying responsibilities this issue was not a priority and not pursued. Other organizations such as CARE and the Interfaith Council for Economic Justice lack grass roots communication networks. Some charitable organizations hesitate to form their issue arguments on the basis of moral judgements. The feeling is that altruists lack clout with public decision makers when contending with representatives of visibly suffering individuals. The fast breaking nature of this issue left interest groups with relatively inflexible annual policy agendas immobile. By focusing on AID the ASA limited political externality costs and thus decision making and contractual costs.

AID itself is prohibited by law from disbursing government appropriated funds for public relations activities designed to influence elected officials.[13] This adds to AID's "self-image problem" which discourages agency bureaucrats from selling their agency in government circles. The case description illustrated how AID's access to development assistance funds had decreased during the 1970's and 1980's. It also contained insight into the public's and its own view of its role.

The ASA leader had contended with AID activities in the past. Such things as AID's past support of Malaysian palm oil production, or the location of an ocean transport off-loading elevator in Egypt which shortened transportation distances for Australian, African and South American grain exporters but lengthened them for U.S. exporters, were often cited examples of the ineptitude of AID planning. This illustrated the ASA leaders awareness of the organizational environment in which he operated. His stated feeling was that just like the American farmers, AID was having a hard time financially, and it would be to AID's as well as the soybean farmer's interests if AID collaborated.

AID's fear of Congress, its poor self-image, and its lack of a concentrated public constituency made it responsive to ASA initiatives. ASA leaders recognized this. This recognition led them to include members as active participants in changing AID orientations. If unsuccessful, leaders would lose credibility and the ability to economize on intragroup decision and direct outlays in obtaining future routine and discrete struggle member contributions.

Although the ASA annual resolution identified other causes of low soybean prices, such as politically oriented embargoes, or unfair foreign trade policies, the ASA mobilized members to attack only AID programs. Other issues may have entailed higher political externality costs, an increased dependence on coalitions and increased contractual costs, and possibly ultimate defeat. Risks and costs would have been greater.

AID actions and statements have illustrated their willingness to collaborate with domestic interest groups in order to avoid increased Congessional scrutiny. AID sees its own organizational interests in this collaboration. The transaction costs (especially the contractual and political externality costs) which AID would incur in mobilizing political support to countervail ASA influence appeared infinite relative to AID's more inexpensively accomplished policy reorientations. The benefits of, or costs avoided by, these orientations thus appeared more valuable. This behavior seems common within the government's bureaucracy.

6.2.9 Model Viability in Relation to ASA and AID Activities

In this case the model seems useful in explaining how the group leader identified and implemented an effective strategy for overcoming the free rider problem in the provision of a new high exclusion cost good. The relevance of the free rider problem depends on the situation in which the group member finds herself. The model focused attention on antecedent variables and processes which describe how the individual perceives and reacts to this situation. It also brought out situational characteristics which the group leader relies on to ensure that her strategy is effective i.e a least cost but successful strategy.

The model does not prove, nor was it meant to prove, that the leader is an omniscient, rational, economic man in planning group initiatives which support organizational objectives. A good part of the above described process was due to forces beyond the leader's control. The model provides a conceptual framework within which to analyze the leader's identification and reaction to those forces as regards their importance to group members and their role in the public decision.

Notes:

[1]Brady, N.C. "The Effect of U.S. Domestice Interests on Technology Transfer Policy". Paper delivered to the American Agricultural Economics Association, August, 1987.

[2] Vocke, Gary. "Helping Ourselves by Helping Farmers Abroad". Farmline. (February, 1987).

[3] Here we should remove the effects of inflation to isolate real impact of exports on farmer purchasing power. This would show that the improvement in the 1970's was not as large as it appears. The decline in the 1980's waas even greater than nominal values suggest.

[4] General Accounting Office, "Agricultural Competitiveness: An Overview of the Challenge to Enhance Exports".Document # GAO/RCED-87-100.

[5] Robert Reich, "The Rise of Techno-Nationalism," The Atlantic Monthly, May, 1987, pp. 63-69.

[6] Gruber, Katherine. Encyclopedia of Associations, 1986. Detroit: Book Tower, Volume 1, Part 1, p. 3853. (It is noted that when staffing information was requested, an ASA personnel officer stated that "the ASA does not compile staff number information" and was therefore unable to provide specific staffing information.)

[7]"Yes We Can," ASA promotional booklet.

[8] "ASA Facts:Soybeans 84-85". Promotional pamphlet.

[9] Economic Research Service:USDA. "Soybeans:Background for 1985 Farm Legislation," 1984.

[10] Brady, N.C. "The Effect of U.S. Domestic Interests on Technology Transfer Policy".

[11] "Farmers Must Fight for World Market Share", (14 Sept. 1985).

[12] See "U.S. Farm Program Goes Avry: Third World Aid Recipients Flower Into Cost Cutting Competitors", Washington Post, (June 24, 1987).

[13] Greider, William, "The Politics of Hunger". Rolling Stone (June 2, 1987) pp. 34-35.

[14] "Executive Agency Lobbyists Mastering the Difficult Art of 'Congressional Liaison'. Congressional Quarterly. (December 5, 1981), p. 2391.

6.3 Case Study #2-The American Soybean Association and Export Market Devlopment

The second case study analyzes the Foreign Agricultural Service's decision to establish a cooperative export market development contract with the American Soybean Association. Factual material was obtained from secondary sources, government documents, ASA newsletters and interviews with ASA and FAS representatives.

6.3.1 Description of the Public Policy

The U.S. Department of Agriculture's Foreign Agricultural Service was established in March 1953. The FAS was formerly the Office of Foreign Agricultural Relations, a USDA service which reported and analyzed foreign agricultural intelligence. Public Law 690, approved August 28, 1954, returned overseas agricultural attaches to the USDA and the FAS from the Department of State where they had been transferred by Executive Order in 1939.[1]

The FAS has the lead governmental role in developing agricultural commodity markets overseas. It operates through a network of agricultural counselors, attaches, and trade officers stationed overseas and analysts, marketing specialists, economists, commodity specialists, and others based in Washington, D.C.

Much of the FAS promotion work is carried out jointly with market development cooperators. Cooperators are nonprofit commodity groups representing producers, farmers and farm related interests or trade associations. The cooperators conduct the actual market development activities, most of which are carried out in foreign countries. Activities generally are designed to acheive long-term market access. Some cooperators also perform other functions, such as technical research, providing information to federal and state legislatures, developing domestic markets, and participating in information clearing-house activities and state industry regulation.

Funding for FAS market development activities was provided by the Agricultural Trade Development and Assistance Act of July 1954 (P.L. 480). With this law Congress established a broad goal for marketing development programs--develop and expand foreign markets for U.S. agricultural commodities--and provided general program direction to the FAS. The Congress stated that in carrying out market development activities, nonprofit, agricultural trade associations should be used to the maximum extent possible. It granted FAS broad discretion in establishing program and financial parameters. FAS determined that market development objectives should be accomplished through cooperators who would share the financial expense of the market development programs. [2]

The early 1950's were years of growing agricultural surpluses due to excess production capacity, production incentives and shrinking foreign demand. Producer prices were down and average farm incomes lagged behind average non-farm incomes. Government expenditures on price support and income enhancement programs were increasing rapidly as were the associated commodity storage and disposal costs.

The U.S. government's post-World War II Marshall Plan provided economic assistance to war torn European nations. U.S. surplus agricultural commodities were provided to ease hunger while the resulting commodity sales revenues were used to develop European agricultural processing and research facilities. Investments were also made to rebuild production and distribution capacity.

Based on experience gained during Marshall Plan use of agricultural surpluses, and in reaction to growing domestic surpluses, a group of farm organization interests, the USDA, and farm state congressional representatives pushed through Public Law 480. This legislation provided for the sale of U.S. surplus commodities for foreign nation currencies and the reinvestment of these currencies in activities to stimulate foreign demand for U.S. agricultural exports.

With this policy the government assumed responsibility for the development and maintenance of agricultural export markets. Previously, foreign aid programs had been veiwed as emergency measures dealing with critical food shortages. This new legislation recognized U.S. agriculture's excess productive capacity and the impact which foreign nation dollar shortages had on effective demand for U.S. exports. Decision makers realized that although they were heavily dependent on export markets, individual farmers had no practical way of influencing foreign buyers.

6.3.2 Principal Issues

The principle issue as elucidated by congressional and executive representatives was the government's responsibility to ensure effective foreign demand for domestic agricultural production. The relevant legislation contained no specific guidance as to how this responsibilty was to be fulfilled.[3] The most problematic policy implementation constraint was ensuring the effective use of PL 480 generated foreign currencies in support of market development activities.

Today, as when the program began, FAS funds the major share of the direct costs of the cooperators' overseas market development activities. Cooperators pay for some direct overseas expenses such as personnel salaries. FAS pays for most of the cooperators' indirect overseas expenses, such as rent and utilities. FAS guidelines encourage, but do not require, cooperators to contribute annual amounts equal to or greater than the FAS funds. Cooperator contributions are primarily goods and services rendered through U.S. headquarters offices in support of marketing activities. FAS has no assurance that cooperator contributions adhere to FAS guidelines that they be in addition to activities the cooperators would have conducted without the FAS funded programs or that they are related to an FAS approved activity. FAS has defined cooperator contributions to include but not be limited to:[4]

-the value of a cooperator's time to attend meetings or "otherwise work" on foreign market development.

-actual expenditures for travel and personal expenses of cooperator personnel attending a cooperator-sponsored conference, workshop, demonstration, or trade seminar; and

-the cost of specific and directly related foreign market development activities performed in the United States.

FAS officials recognize the highly political nature of farm programs and the congressional interest in cooperator activities. FAS imposes few limits on cooperator programs and funding levels but rather, encourages cooperators to implement new marketing strategies in different countries by offering additional funds for such programs.

From its inception the structure of the cooperator market development program encouraged increased agricultural interest group influence in the international trade policy arena. After the passage of Food For Peace legislation, FAS organizational viablity would depend increasingly on collaboration with farm groups. Farm group leaders would aid in program implementation overseas and communication with U.S. producers and other U.S. and foreign government agencies. Domestic producers would realize that there was more to farming than growing the crop and selling it to the government. Farm organizations (such as the American Farm Bureau) who had previously scorned government intervention in the agricultural economy would come to view government contributions to international trade more favorably. The net result of these changes was a partnership between the federal government and agricultural producer representatives that would affect the entire U.S. economy.

In addition, the broad parameters established by PL 480 and the fungibility of funding provided by the FAS would increase the political resources which involved interest groups controlled. In 1986 the $6,778 million received by the ASA was greater than that received by any other commodity group. FAS contributions constituted 40% of the ASA's total budget of $17 million. The U.S. Wheat Association was the second largest recipient ($6,185 million) followed by the U.S. Feed Grains Council third ($5,531 million). The next highest funding recipient was the Cotton Council International at a relatively small $2,646 million.[5] Substantial FAS funding enabled the ASA to expand activities overseas and gain increased influence within the U.S. and international political economies. There are no statutory regulations to stop ASA leaders from expending market development funding, or organization monies freed up by this funding, on more politically oriented activities in support of their organization.[6].

6.3.3 Background

As described in Chapter 1, Section 1.2.2, United States agricultural production was geared to high levels during World War II. Prices were good, generally above established price support levels. World agricultural production was down sharply. Farmers were encouraged to adopt cost reducing, higher yielding production technologies. When the war ended previously war torn countries began meeting their own food and fiber needs. The seller's market which the U.S. had previously enjoyed vanished as competition developed from other countries and world price levels declined.

With the end of the Korean war and the phase out of post-World War II relief and rehabilitation activities demand for U.S. food stocks dropped substantially. Domestic agricultural surpluses increased and their effects dominated the agricultural policy arena. Foreign exchange controls, differential exchange rates, bilateral trade agreements, and other trade complexities impeded the development of U.S. agricultural export markets.[7]

In the summer of 1956 the Commodity Credit Corporation had almost $9 billion invested in price support inventory and commodity loans. Warehousing was estimated to cost the U.S. taxpayer $1 million per day. This stockpile depressed prices. Department of Agriculture economists estimated that without price depressing excessive stocks the 1955 net farm income would have been at least $2 billion higher (Benson 1956).

Increasing surpluses led to the imposition of acreage restrictions. Nearly 30 million acres were diverted out of wheat and cotton. Many of these acres went into other crops --causing surpluses in those commodities--until nearly every farmer was affected. The acres taken out of cotton and wheat were shifted mainly to feed grains. Total feed grain production increased and contributed to the surplus of corn in government hands. The resulting low price of corn and other feed grains stimulated added livestock production which helped bring on low prices for hogs and feed cattle in the winter of 1955-1956. Farmers were caught in a "price cost squeeze" as post-Korean War commodity prices fell gradually while the prices that farmers paid for inputs and essentials remained at relatively high Korean war levels (Benson 1956).

The price effects of agricultural surpluses notwithstanding, during the 1950's rural sectors did not experience the massive farm foreclosures of the 1930's. During the 1930-35 period approximately 140,000 farms failed. Annual foreclosures between 1935-40 averaged between 10,000 and 20,000. Foreclosures averaged less than 2000 per year (total 4.8 million farms) in the late 1940's and early 1950's (Benson 1956).

6.3.4 The Actors

Groups concerned with decreased foreign demand for U.S. agricultural surpluses were the Department of Agriculture, elected officials and their staffs and various farm organizations including the American Soybean Association.

The characteristics of agricultural production led the government to assmume responsibility for ensuring export demand. The fact that the timing of production, enterprise mix, and the actual productivity and sale of agricultural commodities is determined largely by nature and the farmer's inability to make major adjustmemts after the production cycle begins distinguished agriculture from the manufacturing sector. In addition, as one farm's output can rarely be differentiated from that of other farms, an individual farmer has no practical way to promote his product either in domestic or foreign markets.

Realizing the potential political and economic repercussions of continued surpluses members of Congress directed extensive policy oriented studies to determine if export expansion was a viable way of dealing with them.

The FAS had a determinant role in the decision to establish a marketing contract with the ASA in 1956. The FAS had recently been created (or evolved) and the agricultural attaches tranferred from the Depatment of State to the Department of Agriculture. FAS staff, including the attaches, undertook an unprecedented task in foreign countries. It was important to their position within the USDA, as well as their operational viability within the foreign embassies at which they were stationed, that they show quick and demonstrably good results. This was especially important in view of State's resistance to their transfer described below.

In general attaches did not possess the expertise, time or energy resources to provide agricultural intelligence services and effectively pursue market development. The FAS needed non-governmental assistance. Ezra Taft Benson, who assumed the mantle of Secretary of Agriculture in 1953, stressed the value of free market operation and an absence of public intervention in the agricultural economy. He and the Congress encouraged policies in support of private initiatives to sell agricultural commodities (Benson 1962).

When Benson took office he reorganized the entire

Department of Agriculture. He closed seven regional offices of the Soil Conservation Service and abolished the huge Production and Marketing Administration agency. With its vast financial and personnel resources this agency had threatened to become more powerful than the Department itself and held the ability to decide the political life or death of members of Congress. By abolishing it Benson incurred the wrath of numerous politically influential bureaucrats throughout the country (Benson 1956). This type of atmosphere heightened the need for the quasi-experimental cooperative market development initiative to provide quick results.

In the 1950's the ASA was a fledgling organization. One individual was responsible for legislative contacts, getting out the member newsletter, and administration. He relied on the assistance of other past farmer leader board directors for assistance as regards foreign activities and travelled abroad himself.

As P.L. 480 was viewed in the same terms as relief programs, such as the Marshall Plan, the public view was supportive of its implementation. During World War II and afterwards the U.S. public had shown a high degree of concern and compassion for the suffering in Europe. Ezra Benson was one of the first U.S. citizens to visit post-war Europe in organizing the Mormon mission's administrative network for distributing donations of food and clothing (Benson 1956). In addition, Americans were optimistic as the economy boomed and foreign demand supported the peace time restructuring of the war plant. Increased employment and the release of pent-up demand stimulated consumption at home, and living standards rose.

6.3.5 Important Goods and Interdependencies

The FAS market development program addressed constraints to international marketing efficiency. It focused on uncertainty concerning product characteristics, improved distribution and transportation, a lack of information concerning consumer tastes, etc. USDA generally feels that at optimum levels of production the U.S. has a comparative advantage over most foreign suppliers of major competing crops. Full exploitation of this comparative advantage is dependent on the efficiency of world markets. Government support of FAS activites to promote this efficieny was based on the contribution which agriculture makes to the entire economy.[8]

An individual farmer has no incentive to expend time or money to improve the domestic or international marketing system as the benefits of any improvements would largely accrue to others who hadn't paid to obtain them. These conditions provide a major disincentive even on the part of large commercial firms.

The result of promotion to increase effective foreign demand for agricultural commodities is a high exclusion cost good. In this case the free rider problem is overcome through the use of coercion in the form of general tax laws.

The FAS uses tax revenues to support market development work either through the purchase and sale of domestic agricultural commodities or, as is done presently, through direct governmental appropriations.

The FAS provided non-optional impact good (effective foreign demand) affected the utility of several interests simultaneously. Whereas some soybean producers and the USDA assigned a positive value to market expansion activities the U.S consumers might object to the use of their taxes in increasing U.S. soybean exports if it resulted in higher domestic prices for soybean meal leading to more expensive beef and chicken. Other taxpayers may have felt that if government monies were used in support of agriculture they should be used in support of all productive sectors. However, due to the non-optional impact nature of effective demand promotion activities, individually U.S. taxpayers could not avoid disutility created by FAS activities.

FAS could alternately disburse P.L. 480 monies to develop greater effective demand for cotton, corn, wheat, or coarse grains. These activities could assist the same farmers who also produce soybeans. Although producers growing all or a combination of these crops might not care which crop receives assistance, ASA leadership, intent on the growth of their fledgling organization, would care. Financial resources allocated for non-soybean related activities could diminish the importance of soybeans and the ASA in the eyes of farmers. Schmid (1978) has stated that two interests with different tastes for some non-optional impact good can negotiate or bargain to adjust the commonly available good's quantity and quality. Through negotiation and bargaining with the FAS and membership, ASA leadership pursued a degree of control over how FAS market promotion resources were expended.

ASA members had no profit maximizing basis for contributing to leader initiatives to influence market promotion resource allocation decisions as they would receive benefits whether contributing or not. Due to the unprecedented nature of these activities the individual member had no idea what the costs (decision making, direct outlays) would be or what effect her contribution would have on other group members. Additionally, soybean surpluses had never developed prior to the promulgation of PL 480. This further obscured the costs or benefits of soybean export expansion activities. However, as will be seen, member support of ASA leader attempts to obtain FAS market promotion funding was not required and thus ASA leadership was not confronted with the free rider problem.

6.3.6 How the Interdependencies Were Carried Out

The impetus for using agricultural surpluses to stimulate U.S. agricultural exports originated with Gwynn Garnett. During the Marshall Plan Garnett served as the director of the food and agricultural section of the U.S. High Commission in Germany. He learned how local currencies generated by U.S. commodity sales could be used to revitalize agricultural research and rebuild flour mills (Bolling 1982).

In 1949 Garnett briefed a group of farm leaders--including Allan Kline, head of the American Farm Bureau Federation--on the program in Germany. He pushed the message that American farm surpluses should not be plowed under or given away but should be used as capital for economic development around the world. Garnett explained that by helping Europe and Japan rebuild their economies, and by assisting other nations to develop theirs, their export capacity would increase. The proceeds from their exports would permit them to buy more U.S. farm products.

Despite the Farm Bureau's anti-government intervention orientation Kline hired Garnett for his legislative staff in Washington in 1950. Garnett was to focus on foreign affairs. At this time the agricultural economy was strong. The farming community, the universities and the government had yet to realize the potential impact of overseas market development. Most viewed the U.S. as the residual supplier. However, as surpluses grew so did the power of Garnett's ideas. Garnett eventually began working with Kansas Senator Andrew Schoeppel and other senators from farm states. In July, 1953, Schoeppel and ten other senators introduced the bill which would become Public Law 480 a year later (Bolling 1982).

The Agricultural Trade Adjustment Act of 1954 (P.L. 480) had as its central purpose the promotion of trade in

U.S. agricultural products through the sale of government surpluses. Under Title I of this law commodities were sold for the currency of a foreign country. Local currencies generated by PL 480 sales were loaned to foreign governments for economic development purposes. Lesser amounts were used to cover U.S. defense needs and the purchase of strategic metals. Finally, 2% of the total local currency receipts were reserved for U.S. export market development purposes.

The above described organization of the FAS within the USDA gave impetus to this new legislation. The FAS was given added force by legislation (P.L. 690) proposed by Senator Aiken of Vermont with the support of the White House and congressional farm state representatives which transferred the agricultural attaches from the State Department to the USDA in 1954.

The State Department resented this incursion. State felt that the USDA focus on surplus disposal might disrupt what State viewed as the best way for over-all world trade to develop (Benson 1962). Nonetheless, as the coalition around the idea of foreign agricultural development broadened, some members of the foreign policy establishment began to lend support.

Garnett was appointed administator of the FAS in 1955. He had farm background and government experience and had spearheaded the process shaping PL 480 legislation. The FAS was responsible for administering market development programs. The process of setting up sound programs and finding personnel for administering them constituted their first implementation problem. Lacking sufficient resources to undertake program development, and under instructions from Congress to collaborate with private groups, the FAS sought the assistance of groups possessing technical, crop specific expertise. As a result, the really significant developments brought about by surplus stock export would be changes in USDA/commodity group relations and farmer attitudes. Garnett had two primary tasks: to impress farmers with the fundamentals of the export market such as the value of product quality, and to convince farmers that exporting their products was worth extra effort. He began by working with the American Soybean Association.

At the time the ASA was a one man operation run by a farmer, George Strayer, the first paid employee of the ASA, and the initiator of the Association's magazine. Strayer had been with the ASA since the early 1930's when he was elected to the ASA's Board of Directors. Strayer's father had previously served on the Board. Strayer was an associate of Strayer Seed Farms as well as Agricultural Exports Inc., a firm which exported corn, soybeans, grain sorghums and other products. The Strayer Seed Farm was one of the pioneer soybean seed producers in Iowa. It also contributed significantly to the development of mechanical soybean production technologies (Windish 1981).

In 1949 Strayer went to Germany to study German soybean production and marketing potential. In 1952 he toured

Western Europe at his own expense. In 1954 he was an official member of a USDA trade mission to Western Europe which investigated why U.S. exports were decreasing.

Although he served in the capacity of the ASA's Executive Vice President, Secretary-Treasurer he had never been to Japan, a country that would become a major soybean buyer in the near future. Using local currencies from surplus sales to Japan, Garnett sent the ASA leader to Tokyo to begin the first FAS cooperative marketing mission. Strayer spent seven weeks in August and September, 1955, surveying Japan's agricultural economy. His work resulted in the formation of the Japanese-American Soybean Institute. The institute's main objective was to encourage the consumption of U.S soybean and soybean products as both human food and animal feed. In addition, on the basis of recommendations by Strayer in collaboration with an agent from the USDA's Agricultural Marketing Service, the FAS entered into a market developmeent contract with the ASA in early 1956. The ASA received local PL 480 generated currencies to develop Japanese soybean markets. As a result, the ASA did not have to obtain member contributions to finance the provision of high exclusion cost demand development activities. Eventually new contracts were to be established to promote U.S. soybean imports in Europe and the Middle East.[10]

The initiation of the ASA/FAS cooperative export market expansion activities was not influenced by ASA member preferences concerning the ASA's participation. It resulted from leader decisions not relying for direction on an annual policy resolution. The first ASA resolutions focusing on market development were passed at the 1956 meetings, months after the establishment of the Japanese-American Soybean Institute. In the months following the establishment of the institute ASA leadership would state:

"The Japanese market for soybeans is a different one than that of our own country, or that of European countries. There are many things we need to know about deliveries of soybeans from competitive suppliers. Also about actual arrivals of our own soybeans in Japan, especially on those cargoes which are broken into many lots upon arrival....The Market Development Project of which the ASA has assumed responsibility, should give us many of the answers during the next year. A comprehensive research study done by a qualified and competent agency under our direction should place us in position to compete in the Japanese market as we have never been able to do previously. Can you think of a better way to spend Japanese yen, owned by the U.S. government, and paid to it in the purchase of U.S. surplus agricultural commodities than outlined above?"[11]

Subsequent issues of the soybean digest would encourage the commitment of ASA resources, pointing out the possibilities of domestic surpluses, depressed prices and soybean production controls. Strayer would call for aggressive sales campaigns saying there is a need for every bushel of soybeans but "markets won't come to us". [12] Numerous USDA officials addressed the 1956 conference lauding the orientation of ASA leaders and members toward foreign selling of their production. The Assistant Secretary of Agriculture explained that agriculture was not sharing in the abundant peacetime prosperity being enjoyed by the rest of the economy and that average farm incomes were lagging behind non-farm incomes. He stressed the role of market expansion in alleviating this imbalance. The convention finally passed a resolution stating:

"We approve the plan of Public Law 480 and urge adoption of an adequate budget for further developments as with increasing acreage of soybeans in the United States we must hold our present markets in various European markets and encourage increased outlets in Japan, Spain, Italy, Tunisia, India and South America."[13]

6.3.7 Summary

This case study illustrated the role which individuals can play in influencing important public decisions. Institutional changes within the USDA and its adoption of a more aggressive international focus provided opportunities for the ASA leader to pursue organizational viability and self-interest. Due to the group leader's initiative, members were not required to pay for market development activities.

The free rider problem was overcome by the actions of one individual willing to bear the costs of high exclusion cost good provision because of the immediate and potential future benefits that the good provided him. This illustrates Olson's small group dynamic. The main focus of model development was to determine how group leaders promote group member participation in discrete struggles which the leader identifies. In this case the leader promoted group member acceptance of the leader's successful attempt to gain FAS assistance after the fact. Thus, model application is only useful in analyzing group leader/government agency and agency/elected official relations.

6.3.8 Actual Behavior Relative to the Model's Predicted Behavior

Group member feelings of dissatisfaction or relative deprivation were not directly observed during investigation of this public decision. To the extent that elected official behavior reflects constituent desires, official efforts to reduce agricultural surpluses indirectly illustrated farmer sentiment.

Relative deprivation feelings may have been muted by the low level of farm foreclosures during the early 1950's as compared to the 1930's. Conditions experienced during the 1930's provided the reference conditions to which early 1950 conditions were compared. Although agricultural exports and farm prices had increased significantly during the preceding war and post-war rehabilitation years, as surplus stocks increased and world prices dropped the government continued programs which sustained acceptable net farm income levels. The booming general economy alleviated much of the negative impact of these programs on the federal budget. A general economic pessimism was not present. A situation contributing to farmer perceptions that aspirations and legitimate expectations were suddenly blocked did not exist.

For those soybean producers who did experience financial hardship problem resolution alternatives were available. Off-farm employment demand was strong as the war plant shifted to peace time production. As exit alternatives were available the expressive utility of participation in political movements was lessened. This combined with the lack of farm foreclosures makes this model element indeterminant and helps explain why members did not encourage ASA lobbying for foreign promotion activities. Fortunately for the ASA leader member support was not required.

The model is better able to predict group leader and government agency behavior. The newly formed FAS possessed many of the attributes which group leaders exploit when seeking institutional change to enhance their organization's viability. These attributes can be described in political and organizational terms.

The FAS was to play a visible role in the implementation of the politically popular Public Law 480. FAS would provide services to politically active and influential U.S. agricultural interests. Many of these interests were involved in PL 480 passage and were intent on its success. Much to State's chagrin the agricultural attaches had recently been transferred out of the State Department and placed in the FAS. Secretary Benson, who promoted the FAS, had undertaken several politically controversial policy and department changes alienating bureaucrats and interests affiliated with the Soil Conservation Service and the Production and Marketing Administration agency. These politically powerful agencies, with bureaucrats stationed throughout the U.S., were better equipped to influence domestic agricultural interests than the foreign oriented FAS. In combination with State Department bureaucrats, dissaffected USDA bureaucrats and their allies posed a political threat as FAS began its market promotion activities. Additionally, the political popularity of PL 480 would ensure that FAS success or failure in its implementation would receive immediate attention. To avoid political incursions from these elements, other USDA agency's, or other government agencies in general, the FAS had to perform effectively, and quickly.

Organizationally, the FAS would operate in a difficult and relatively unknown task environment. In view of the environmental contingencies which would impact upon program effectiveness, evaluative criteria was underdeveloped. Differing consumer tastes, trade policies, international monetary policies and conditions, domestic production practices, transportation contingencies and the rapidly changing world economy increased the complexity of FAS responsibilities. FAS had insufficient resources with which to implement its program and the enabling PL 480 legislation had directed reliance on private interest groups.

The political environment demanded a high degree of agency effectiveness while the organizational task environment constrained this effectiveness. The foreign market promotion and interest group services which the ASA leader offered dealt with both political and organizational contingencies. With a leader who had already travelled and worked in Europe and Japan, and was knowledgeable concerning soybean production and marketing, the ASA provided a means to operate internationally. In addition, ASA leadership could stimulate political support among group members domestically. The cost to the FAS of gaining this support was negligible. It did not require politically distateful policy reorientations. FAS collaboration with interest groups had been mandated by Congress and the FAS Administrator had formerly represented a powerful farm organization.

The ASA/FAS contract resulted from the ASA leader's working capital investments of time, energy and financial resources. The political resources which he expended in seeking to influence FAS resource allocation decisions were limited by the FAS's need for the services which ASA offered and by the political support which PL 480 enjoyed. Although the ASA leader may have caused political externality costs in affiliating the ASA with the FAS, the coalitions necessary to defeat any countervailing interest group confrontation had already formed in support of PL 480 and had committed themselves to its success. This limited the leader's risk of incurring the contractual costs necessary if attaining FAS funding required a supportive coalition to overcome a countervailing interest's influence.

Subsequent to its formalization the leader needed to acquire group member acceptance of the contract or risk member exit. The leader disseminated information in support of his decision through the Soybean Digest. He also obtained supportive speeches from USDA officials at the annual ASA conference. In view of the USDA's interest in program success, and willingness to work with the ASA, group leader payments to obtain this external support were probably low. Given the ASA member's lack of knowledge concerning overseas activities and export potential there was little reason to question assertions made by ASA leadership that this contract was in their best interests. This limited decision costs to the leader.

6.3.9 Model Viability in Relation to ASA and FAS Activities

The model is useful in explaining how the group leader identified an effective strategy to obtain a high exclusion cost good which he deemed personally beneficial. The leader may have felt that export promotion activities would benefit his private market soybean related investments sufficiently to cover any costs which he incurred in bringing the activities about. Alternately, or additionally, the leader may have anticipated net utility gains due to his role as leader of a young, growing and potentially powerful organization.

The model focused attention on the organizational and political variables which led the government agency to be receptive to the group leader's assistance. Although uncertainty and the group leader's information provision techniques played a role in the group member's subsequent approval of the FAS/ASA contract, the ASA leader, FAS bureaucrats, and government legislation determined the final public choice decision.

Perhaps the most important aspect of FAS/ASA collaboration are the long term consequences of government decisions to provide public monies to private entities with both economic and lobbying responsibilities. PL 480 mandated FAS support replaced resources which the ASA would have had to expend in the normal course of increasing soybean producer profitability, the professed objective of the association. Annex VI illustrates the tremendous growth of ASA managed resources in the first years of collaboration with the FAS. The fungibilty of these resources enabled the ASA to expand both its foreign and domestic economic and political operations. Taxpayer supported FAS funding contributed to the resources necessary for the ASA to expand from a one man operation in 1956 to one employing 155 staff members world-wide with a permanent political lobbying office in Washington, D.C. today. In the process the FAS gained an organized and active political constituency supportive of, and even dependent upon, FAS's organizational viability. This result was not a stated PL 480 objective.

Notes:

[1]"Foreign Market Development," Foreign Agricultural Service, U.S. Department of Agriculture, December, 1980. Internal briefing document.

[2]"International Trade: review of Effectiveness of FAS Cooperator Market Development Programs," General Accounting Office, document # GAO/NSIAD-87-89, March, 1987, p.2.

[3] Ibid., pp.3.

[4] Ibid., pp.11.

[5] Ibid., pp.50.

[6] Ibid., pp.18.

[7] "Food for Peace, 1954-1978-Major Changes in Legislation," Congressional Research Service, U.S, Government Printing Office, Washington, D.C., April 26,1979, p.31.

[8] "Soybeans in U.S. Department of Agriculture Marketing Programs," Marvin McLain, Soybean Digest, September, 1956, p.28.

[9] "Foreign Market Development," Foreign Agricultural Service, U.S. Department of Agriculture, December, 1980. Internal briefing document.

[10] Soybean Digest. September-August, 1956.

[11] "We've Got to Sell, Sell and Sell," Soybean Digest, July, 1956, p. 4.

[12] "Resolutions," Soybean Digest, September, 1956, p. 31.

CHAPTER 7: CONCLUSION

7.1 The American Soybean Association and the Agency for International Development

Research showed that ASA leaders were instrumental in stimulating member petition signing and letter writing resulting in changed AID technology development and transfer policies. ASA leader behavior was similar to that of interest group leaders described by Browne (1978) and Salisbury (1969). Ongoing ASA newsletters and member/leader meetings were used to convince group members of leadership competence, sagacity, and effectiveness in defending soybean producer interests. Leaders employed pointed rehetoric and selected information to influence member preferences and values in ways which they, the leaders, felt were important.

The ASA organization was offered as a vehicle through which members could express their opinions on public issues. The rhetoric employed in ASA communications created a sense of solidarity and common purpose among members (see Appendix I). ASA newsletters often carried descriptions of government decisions that harmed soybean producers. They also described the threat to soybean producers posed by the agricultural economies and policies of Brazil and Argentina. As described by Barnhard (1938), and March and Simon (1958), such feelings encourage organization members to defend each other against outside threats by contributing to group endeavors.

ASA leaders convinced a number of group members that U.S. economic assistance was the cause of decreased net farm incomes. When an ASA leader attributed Brazil's increased soybean market competitiveness to INTSOY and AID technology transfer activities, soybean producer farm leaders became outraged. The leader realized that he had uncovered an explosive issue. A public relations campaign that provided half-truths and non-objective information to ASA members and the general public followed. Many of those exposed to the ASA campaign accepted the information as valid and proceeded to pressure congressional representatives, with letters and petitions, to change AID activities.

Soybean producers were uncertain as to the exact cause of decreased soybean prices. For ASA members accustomed to using ASA information in their farming decisions, accepting the leader's contentions that AID policies were responsible was much easier than researching the issue themselves. It constituted a relatively inexpensive approach to social change. The individual's cost limiting decision process for influencing public decisions was described by Downs (1957) and Buchanan and Tullock (1962). Also, much of the American public resented the impact of foreign producers on the U.S. economy adding legitimacy to the declarations of ASA leadership. Morrison (1957) pointed out that supportive public opinion was an important intermediary goal of any social movement aiding in that movement's recruitment of dues paying members.

Concurrent with the petition campaign targeting foreign assistance, ASA leadership conducted a membership and check-off payment increase campaign. This illustrates the ASA leadership's primary motivation. The use of member contributions in changing AID policies would illustrate leader effectiveness in representing member interests and convince members and non-members to contribute to the association (see Appendices II and III). During and after the AID campaign, ASA newsletters described how limited checkoff funding was constraining ASA market development activities and how FAS financial support of ASA activities was threatened by federal budget deficit reduction policies (see Appendix IV). Beginning in 1985, ASA checkoff payment supported cash contributions to market promotion dropped as did its goods and service contributions (see Appendix VI).

Why did ASA members sign petitions and write letters? The general press fostered the member's perception that other soybean producers were suffering from financial difficulties due in part to low cereal and feed grain prices. Stories of farm failures, related suicides, the FARM AID concerts, and ASA newsletters led the individual to blame her dissatisfaction on government policies as opposed to individual qualities or decisions. As Morrision (1975) pointed out, these feelings increased the reform utility, or feelings of satisfaction, in contributing to movements that right the wrong being done by these policies. The ASA's public relation campaign focused the group members' desire for policy change on AID activities and reform utility rewarded participation regardless of the potential impact of their contributions.

Low soybean prices, combined with the low prices of corn and wheat often produced in conjunction with soybeans, threatened many cash grain producers with either bankruptcy or substantial farm business restructuring. Depressed farm land and equipment prices, a lack of access to credit, the contraction of other industries linked to farming, and the different social and technical nature of non-farming employment led financially troubled soybean farmers to perceive an absence of alternative livelihoods. Because of these conditions, the costs of writing letters attacking AID's activities seemed acceptable and insignificant. March and Simon (1958) describe those conditions which motivate an individual to search for a different occupation and how the perceived lack of viable alternatives discourages this search effort. Hirschman (1970) and Morrison (1975) outlined how a lack of exit, or problem solving, alternatives leads an individual to complain to authorities in seeking problem solutions. Finally, the past role of soybeans as an alternate income source during times of depressed corn, wheat and cotton prices, or production quotas, increased the impact of its demise as a production alternative effective in maintaining net farm income levels. These were major variables which caused ASA members to ignore free rider tendancies, write letters, and sign petitions.

Evidence showed that ASA leadership was successful in generating the political pressure needed to change AID policies. A major reason for this success was AID's vulnerability to political incursions. Vulnerability resulted from the difficult enviroment in which AID operates, its provision of services to constituents either outside of or inactive in the American political process, the lack of viable AID performance indicators, past vulnerability to interest group or government agency attacks, and a general unawareness or misunderstanding of AID activities throughout the U.S. citizenry. Research indicated that ASA leadership was cognizant of this vulnerability.

AID vulnerability led ASA leaders to recognize AID as an inexpensive scapegoat for the financial difficulties of ASA members. AID's lack of popular political support to countervail that generated by the ASA campaign allowed ASA leadership to economize on the financial outlays required to research their issue position. Evidence showed that ASA leaders compiled the information for their public relations campaign from a brief survey of one government document (see Appendix VII). This contrasts to the USDA and AID sponsored research and econometric analysis involving a flock of government, university and private sector researchers and turning out a large number of analytical and descriptive documents with no discernible impact on this policy process.

The relative ASA power was also illustrated by their lack of response to AID's declarations concerning the inaccuracy of ASA public statements. The ASA position did not change after AID leaders outlined the benefits of collaborative international research and economic growth which AID activities supported. Invulnerable to AID countercampaigns to discredit the ASA position, ASA leaders continued to use the same rhetoric employed prior to AID's response, rhetoric which would eventually be used by Senator Bumpers in his Senate presentation of restrictive legislation. The ASA leadership's refusal to consider AID findings concerning the benefits of AID activities to U.S. farmers showed that the ASA was not concerned with the real impact of AID activities. Its main concern was ASA member perceptions of those activities, and how they could exploit that perception to obtain greater political influence and increased member contributions.

Most importantly, AID felt vulnerable and responded positively to the ASA campaign with little resistance. A speech made by one of AID's senior scientists (Brady 1987) illustrated the agency's realization that responsiveness to concentrated and intense public concerns was essential to AID's organizational survival. AID leader pursuit of organizational security was similar to that described by Bartlett (1975) and Barnhard (1938). While espousing the value to U.S. farmers of AID contributions to international economic growth and collaborative research, AID readily abandoned soybean production research and limited other agricultural activities to avoid public criticism and threats to its access to budgetary resources. AID decided to pursue bureaucratic security and compromise its mandated economic, geopolitical and humanitarian goals.

AID's responsiveness saved ASA leaders the coalition building political capital and financial expenditures which would have been required to change AID policies had AID been able to mobilize a countervailing political force. In 1985, the annual ASA policy resolution had cited a number of goverment policies detrimental to soybean producers including the federal budget deficit and foreign policy inspired export embargoes. However, ASA leadership singled out only AID for a member involved petition and membership campaign. This focus was due to the ASA leader's realization that: 1) dissatisfied farmers reacted vigorously to allegations that government assistance to foreign producers injured domestic producers, and 2) the absence of a potentially countervailing political constituency which could counteract the ASA campaign and force leaders to increase financial and coalition building political capital investments in order to succeed.

7.2 The American Soybean Association and the Foreign Agricultural Service

The Foreign Agricultural Service and the ASA collaborate in activities intended to increase effective demand for U.S. soybeans and soybean product exports. Effective demand is a high exclusion cost good. Individual farmers and processors are dissuaded from incurring market promotion costs due to their realization that effective demand benefits would accrue largely to others not incurring costs. This character of effective demand led government to assume the reponsibility for export market development and support

FAS/ASA activities with tax generated financing appropriated as a result of PL 480.

PL 480 allowed the sale of surplus U.S. agricultural commodities overseas for foreign currencies. It also directed the newly restructured FAS to rely on private organizations in employing commodity sale revenues to promote foreign consumption of U.S. agricultural exports. It was this directive which enabled the ASA to receive substantial government funding (see Annex VI). In addition, the political climate in which the FAS operated gave increased value to the support which the ASA provided as a political representative of U.S. soybean producers. ASA political loyalty to the FAS was strengthened by the financial appropriations it received from the FAS.

Because of these circumstances ASA leaders did not require member financial or political resource contributions to succeed in influencing FAS decisions. For the leaders this was fortunate as the conditions which lead individuals to support social movements did not exist for most soybean producers during the 1950's. Drastic net farm income reductions were prevented by government price support policies, farm foreclosures weren't as threatening as during the previous 20 years, and off-farm economic opportunities were abundant as the economy recovered from the war period. ASA leaders only sought member approval of the ASA/FAS market promotion contract after it had been established.

The ASA leader invested his own time, energy and financial resources in investigating foreign markets and lobbying FAS decision makers. The leader may have incurred the costs of these activities in order to gain financially from the agricultural export businesses in which he was involved. Alternately, or additionally, his hope of obtaining some future payoff of power or prestige from being the leader of the ASA may have motivated his investments. In any case, research did not show that these investments were undertaken in response to group member preferences. Here ASA leader behavior was in line with that of Olson's (1965) small group members and potential finanical or status gain constituted selective incentives.

The most important element leading to the ASA leader's success in obtaining government funding was the form of Public Law 480. Legislation directed the FAS to appropriate financing to private organizations for use in foreign market promotion. FAS personnel and organizational resources were to be used mostly for market information and analysis. This orientation had two major and perhaps unforeseen impacts. Goverment monies would aid substantially in creating a resource base from which the ASA would grow from a one man operation (in 1956) to one employing 155 staff members worldwide (in 1986).[1] Additionally, the FAS would benefit politically from providing fungible financial resources to the ASA, a lobbying organization with permanent officers in Washington. As illustrated in the ASA newsletter (see Item D, Appendix IV) the ASA would readily defend FAS against any cuts in its budgetary resources as a result.

7.3 Research Implications

In both cases, research indicated that the basic problem was the nature of the goods provided by AID, the FAS and the ASA. The high exclusion cost character of development assistance benefits to U.S. taxpayers requires that AID's operational support be obtained from tax revenues. The non-optional impact of assistance led to conflict concerning its form and objectives. In order to benefit from this conflict, ASA leadership fostered and organized the dissatisfaction of soybean producers, focusing it on AID activities. Because AID is totally dependent on tax revenues, its leaders were willing to compromise organizational objectives in order to appease farm state taxpayer representatives in Congress and the ASA. AID leaders changed technology transfer and program development policies, increasing the influence of domestic agricultural interests over the form and objectives of its activities, to avoid loss of access to tax generated government revenues.

It was also the high exclusion cost nature of effective foreign demand which dissuaded individual or voluntary groups of farmers or processors from undertaking market promotion and provided a need for government involvement. In the FAS case the non-optional impact of effective demand creating activites was less evident in terms of individual farmer, taxpayer, bureaucrat or elected official conflict. Nonetheless, the potential for market promotion activities to cause higher prices for U.S. consumers (for example) led the FAS to value ASA political support as well as its operational support.

Research showed that ASA leaders did not overcome the large group free rider problem in Olson's sense where every group member contributes substantially to collective good provision. However, it was shown that an organized large group, such as the ASA, is better able to obtain something than is an unorganized large group. ASA leaders succeeded because they asked farmers to do little more than sign petitions. The member's decision to sign the petition was encouraged by individual perceptions of shared, group member suffering; uncertainty as to the cause of the suffering; a perception that alternatives to alleviate the suffering were absent; and the individual's decision process as regards public policy. This enabled ASA leadership to stimulate intense group member feelings against AID and focus these feelings on public decision makers hesitant to conflict with intense group concerns. To accomplish this ASA leaders employed information supportive of their viewpoint, their established grass roots communication network, and the general and farm press.

In contrast, the large group of Americans who benefit altruistically or economically from development assistance did not intensely and actively support AID activities. They were not suffering economic deprivation in conjunction with large numbers of similar others. Although disturbed by the poverty in poor nations, they were not provided easy access to information on AID's poverty alleviating programs or how ASA lobbying might constrain those programs. Due to previous relations with ASA leaders, or a realization that altruistic motives are ineffectual when conflicting with intensely active and visibly suffering farmers, those charitable or private voluntary organizations which might have provided this information and mobilized these citizens did not act. They saved their political and financial resources for larger issues. Given uncertainty concerning the impact of development assistance and the lack of dramatic effects of agricultual research on poor nation development, AID's supporters who were informed did not resist the ASA initiative.

Additionally, AID was not the only source of altruistic benefits for U.S. citizens. Private voluntary, charitable and religious organizations with relief activities in developing nations are alternatives to AID. Through financial contributions to these organizations, altruistic citizens can express their concern for disadvantaged peoples and enjoy the resulting feelings of altruism regardless of AID's situation. Thus, the individual feelings and organizational capacities which led to ASA success did not exist for interests injured by ASA lobbying.

For public soybean price enhancement and development assistance resources to be employed in a socially optimal manner, allocation decisions must accurately reflect the preferences of individuals affected by resource use. Evidence showed that ASA leaders valued and sought to influence member preferences. Information condemning AID activities was provided prior to and during the ASA petition drive. Information extolling the benefits of market promotion was presented to members after the ASA/FAS market promotion contract had been signed.

There was no evidence that ASA leaders regarded member preferences as anything other than assets to be manipulated and employed in pursuing a stronger organization. In the FAS case, the ASA leader was not acting on the basis of a member approved policy resolution when pursuing market promotion funding. Even if the leader's assumption that ASA members valued higher or more stable net farm incomes was valid, little objectively researched information existed to indicate that soybean export market promotion would contribute to these two objectives in either the short or long term.

In the AID case, ASA leaders influenced member preferences by suggesting that AID was responsible for Brazilean and Argentinian competitiveness. They organized a public relations campaign to foster this perception among members and based a petition and membership campaign upon this perception. Leaders did not make available to ASA members evidence illustrating the benefits which soybean farmers might receive from AID activities and did not objectively pursue the identification of member preferences.

ASA leaders influenced member preferences in order that soybean producers sign petitions and write letters condemning AID technology transfer programs. The success of this campaign was employed to induce member financial contributions to the ASA at a time when its access to financing was threatened. The AID policy reorientations which the campaign caused were never objectively evaluated as to their potential to increase soybean producer net farm incomes, the stated ASA objective.

More than illustrating that ASA leaders sacrificed soybean producer welfare in pursuit of organizational strenth and their own benefit, the case studies illustrated that the process by which public decision makers identify individual preferences is highly imperfect. Evidence also showed that the ASA's previously acquired control over fungible public financing intended for export market promotion contributed to its development of substantial organizational capacity which could be used to increase the ASA's political clout. This capacity fostered public consideration of the ASA leaders preferences to the exclusion of others who had less organizational resources and who had not received fungible public funding.

Congress and the FAS did not establish guidelines to ensure that export promotion monies be used for market development alone. Personnel and facilities supported with FAS financing could also be employed in ASA lobbying activities. In addition ASA organization growth, which FAS subsidies made possible, required increasing finanical resources to pay administrative costs and to service political and economic commitments domestically and abroad. In the early 1980's as soybean exports fell, ASA production related checkoff revenues dropped. Government budget deficit reduction policies threatened FAS funding. More than the actual impact of AID activities on soybean producer incomes, ASA financial resource needs led to the ASA campaign.

In contrast, AID did not provide fungible finanical resources to large, politically organized domestic groups with economic interests tied to development assistance. Institutions receiving AID financing for technology transfer activities, such as land grant universities, lacked the grassroots organizational capacity necessary to mobilize broad based political pressure. AID lacked the intense and visible political support which such groups could provide in countervailing ASA lobbying. As a result, the preferences of a relatively small number of U.S. citizens prevailed and public decision makers paid little attention to other domestic interests served by AID activities.

7.4 Suggestions for Further Research

Variables which lead to individual participation in group endeavors have been identified. The transaction cost categories which group leaders intutitively evaluate have been conceptualized and the antecedent variables which coalesce leader motivation and member participation into institutional change have been described. However, the research is broadly deficient of the detail needed to fully

comprehend how group members and group leaders make decisions.

Several hypothesis have been forwarded concerning the individual decision making process. The role of uncertainty was highlighted as were cost limiting decision processes. Given that the individual can influence leader behavior and public decisions, more insight into their decision process when under duress would be helpful. If the sources of member letters and petition signatures could be identified the correlation between member stress levels and letter writing could be explored by comparing relative farmer stress levels between counties (for example) and the number of petition signatures emanating from those counties. Search behavior as regards farmers underpinned the behavioral hypotheses developed here. The identification of the geographical origins of petitions and a survey of non-farm economic opportunities in those areas could help determine if a lack of problem resolution alternatives actually contributed to the individual decision to sign petitions. In addition, relative deprivation concepts were tested with only one case study and require more application.

The study also portrayed the group leader as responsive to her environment and able to weigh transaction cost tradeoffs when mapping lobbying strategies. While the theory aids in analysis, the case studies provided no definitive evidence that this was an explicit part of the leader's day to day behavioral techniques. Greater insight as to how commodity group leaders actually identify policy issues would be helpful to determine if leaders pick issues of which members are not informed in order to limit intragroup decision costs (for example).

While the model provides a framework for introducing the influence of interest group leaders, group members and government bureaucrats into the public decision process the welfare functions of these actors are only described as utility maximizing. Utility maximization could be more specifically defined for each actor. A description of the contribution of each actor to the others' utility could more clearly portray the value of the transaction payments which were a central theme of this work.

It would be interesting to see how aware government agencies are of those variables which allegedly contribute to their willingness to reorient policy in response to interest group incursions. A related research thrust would be to analyze agency awareness of the character of the goods which they provide and how these attributes impact on agency viability and programs.

Notes:

[1]Although PL 480 generated local currencies funded ASA activities intially, beginning in the early 1960's FAS financial allocations to ASA emanated from congressional appropriations. An FAS representative also stated that because the ASA has such a strong producer checkoff payment base, FAS continuously increased ASA appropriations in the past. In priciple, FAS loosely ties appropriations to checkoff payment contributions to market promotion.

APPENDICES

APPENDIX I-ASA NEWSLETTER RELEASES PROMOTING GROUP COHESION

The following rhetoric taken from ASA newsletters illustrates how ASA leadership builds group member feelings of common purpose and of being under attack in an unfair world.

Item A

ASA Supplement-Yes We Can! (undated)

* Outgunned--On Eliminating Cargo Preference Restrictions

Soybean farmers fought hard to eliminate cargo preference restrictions. But at least for now, they've lost the battle to roll back U.S.-flag shipping requirements

The Soybean Association was outspoken in its criticism of current cargo preference laws, stating that if Congress feels it necessary to subsidize U.S. shipping as a part of the nation's military defense, then the cost should be borne by military or transportation budgets.

* Policied Soybean Futures Trading

Farmers charged market manipulation was affecting soybean prices. A year-long study by a Soybean Association futures advisory committee assisted by an independent research organization revealed no such evidence, but the committee will continue to examine soybean trading practices. And as a result of association efforts, past ASA Chairman Ralph Weems became a voting member of Chicago Board of Trade's Board of Directors where he represents farmer interests.

*Worked to Boost Income for Soybean Farmers

For nearly five months the Soybean Association has fought against formidable odds in Washington to achieve a soybean program that will help farmers. With loan levels scheduled to drop twenty to fifty cents below the current $5.02 the Soybean Association objective was to enhance farm income now while keeping soybeans out of government storage where they would become a drag on future markets. The ASA program provided farmers the option of a $5.02 loan or a $35 per acre or $1 per bushel payment. Unfortunately soybean farmers were betrayed in a House-Senate Conference Committee that eliminated the program.

*Agriculture Has Changed ...Permanently...Forever

Three interrelated changes in agriculture affect U.S. farmers...

1.Agriculture is global. The world is both our market AND our competition!

2.Competition for markets from soybean producers in other nations and from other commodities makes farming even more challenging.
3.Government policies will continue to affect U.S. farmers.

Can farmers survive? Yes we can! But only if we recognize the changes taking place in agriculture today. Our decisions and actions must be based on long range objectives rather that short term solutions that can create more severe problems.

Item B

*Congressional Alert:Urgent! Help Protect Your Soybean Income (undated)

Agriculture Secretary Lyng just cut YOUR soybean loan rate to $4.77 per bushel...with Gramm-Rudman, its really $4.56!

USDA has given you and me the worst of both worlds. No protection of our farm income. Uncompetitive prices. And, a corn-bean price ratio that encourages expanded South American soybean production.

ASA proposed a marketing loan--which Lyng rejects--or a certificate program that would pay you in commodity certificates for not using the loan or for not forfeiting loaned beans to the CCC. Both mean ...income protection for farmers...competitive prices for the world.

Instead, Secretary Lyng slashed the loan rate. Now YOU and I need to generate CONGRESSIONAL ACTION BEFORE September 19th.

Please send this message and send it right now! I've got to have your help. ITS OUR INCOME...AND OUR MARKETS.

P.S. If you're still mad after you've sent your mailgram, call and tell Congress you're tired of all the ways our government supports foreign soybean farmers better than us.

Item C

* ASA-SoyNews-U.S. (January 1986):Soybean Farmers Betrayed by Double-Standard

"The 1985 Farm Bill reduces the soybean safety net far greater that the income guarantees to other crops," (Soybean Associataion President) Fluegel says. "Even more insulting, the Congress has given the Secretary of Agriculture authority to make additional cuts in the soybean program."

"How does Congress expect us to feel? They denied any meaningful income support for soybeans; then they ask us to trust an Administration which flip-flopped on soybean policy positions four times in three months.

Fluegel said Congress ignored the suffering, financial crisis and outright disaster in most areas of the U.S. Many of our current problems began with government-imposed embargoes, the overvalued dollar and U.S. aid to South American soybean farmers.

Also see Item A & C, Appendices III and Appendix II.

APPENDIX II: THE AMERICAN SOYBEAN ASSOCIATION PETITION

The following petition was sent to ASA members in June-July of 1985.

ACTION NEEDED NOW: I NEED YOUR HELP!

While you and I and other farmers are struggling to make a profit, our government is helping foreign competitors.

Our government just recently voted YES for a 200 million dollar World Bank loan to Brazil...a loan to help Brazil improve its railroads so they can get their farm products to export markets faster! And, the World Bank just approved another palm oil loan to Malaysia!

What next?
The U.S. Agency for International Development (A.I.D.) spent $341 million last year, much of which was used to improve soybean and agricultural production in foreign countries!

One state university is using much of a 6.4 million dollar grant to develop tropical soybean production!

I can understand helping developing countries...but I'm mad when I see the U.S. Government spending millions more dollars to expand foreign production than it spends for U.S. farm export promotion.

Something's wrong, unfair. And, it's time to stop it! Fortunately, your Soybean Association is Taking Action! Our staff is working on changes as I write this letter.

But, staff can't do it alone...government and congressional leaders won't act until they hear from you and other farmers!

Congress is on the verge of giving more U.S. tax money to the World Bank & International Monetary Fund...money that will be used to help your competitors! We must stop it now!

Don't sit back hoping someone else will help...I NEED YOU!

Here's how you can help...
1) Get at least 5 other farmers to sign this petition. Send it back to me and I'll use it to meet with the World Bank, Congress and others to change priorities.

2) Get other farmers to help themselves by joining The Soybean Association. I need more support from farmers. Congress understands numbers. By strengthening membership you'll be sending a clear signal to Washington that you want action.

These times demand aggressive action. We must compete to survive. It's time our Government helped us--and not our foreign competitors!

Please don't wait... I need your petition by August 15.

Sincerely,

Roger Asendorf, ASA President

P.S. If you need more petitions or membership applications, call 313/432-1600 Ext. 800. I can't do it alone. Neither can you. But, together...we can. So, please ask these folks signing the petition to join The Soybean Association's efforts to restore profits to soybean producers.

TO THE PRESIDENT AND U.S. CONGRESS

* The U.S. World Bank delegate voted YES for a $200 million loan to develop Brazilian railroads to help them export more...at the same time U.S. railroads in farm states continue a steady decline.

* A.I.D. gives $1.35 million to a group of midwest universities to provide assistance to increase Burma's production of oilseeds.

*The U.S.-at the urging of the state and commerce departments-asks Argentina to reduce the value of its currency and increase its farm exports.

*A.I.D. FY84 grants to expand foreign farm production totaled $341,137,588...millions more than USDA's $90 million budget for the Foreign Agricultural Service to expand U.S. farm exports!

ENOUGH IS ENOUGH!! What happened to concern for U.S. farmers?

We, the undersigned soybean farmers, are tired of watching U.S. tax dollars help build railroads in Brazil, develop soybean production in Burma and finance other activities that help increase farm production and competing exports in foreign countries.

We want our leaders to be more concerned about the economic welfare of U.S. farmers than the economy of Brazil and Argentina.

It's time the U.S. developed an aggressive export policy.
It's time A-I-D learned how to spell T-R-A-D-E!
It's time the U.S. spent more to promote U.S. farm exports!

It's time to restore profits to U.S. farming.

We urge the following actions be taken immediately:

1) Develop a stong U.S. export policy.
2) Increase federal funding for U.S. export promotion programs.
3) Completely review the impact of U.S. land-grant operations in foreign countries.
4) Redirect World Bank loans and A.I.D. grants from projects that increase Brazilian and Argentine production to projects that increase domestic use of the farm products we grow.

NAME	RR/BOX NUMBER	TOWN/STATE/ZIP	PHONE

APPENDIX III: EXAMPLES OF ASA COMMUNICATIONS WITH ASSOCIATION MEMBERS

The following examples of ASA newsletter communications with association members illustrates how ASA leaders employed their influence over AID policy to illustrate ASA leadership effectiveness.

Item A

ASA-SoyNews-U.S.(November, 1985): AID LISTENS
Special petition to Soybean Association leaders and members calling attention to AID grants that help foreign competitors and halt to U.S. loans to Brazil produced over 9,000 signatures. Result of Soybean Association action: AID official says, "call off the dogs, let's talk".

Item B

ASA-SoyNews-U.S.(April, 1986):AID Halts Soybean Project Funds
The Agency for International Development (AID) will no longer fund projects that assist foreign soybean production, a high-ranking AID official recently announced to American Soybean Association (ASA) directors. Anson Bertrand, director of the Office of Agriculture for AID , says the agency changed its policy because of concerns ASA expressed about funding such projects.

Item C

ASA Supplement-Yes We Can!(undated):Farmers told A.I.D. to stop funding projects that help foreign competition.
More than 9,000 soybean farmers signed ASA petitions, urging the Agency for International Development (A.I.D.) to stop funding production programs that help our foreign competition. Following meetings with Soybean Association leaders, A.I.D. officials agreed to evaluate the impact of agricultural development programs more carefully in the future.

Item D

ASA-SoyNews-U.S.(March, 1987): AID Focuses on Utilization
The U.S. Agency for International Development (AID) has ordered its worldwide staff "to avoid investing in projects where there is direct competition" with U.S. farm commodities, according to AID food and agriculture director, Duane Acker. Acker's statement before the Senate Agriculture Committee in February affirms ASA efforts the past 18 months to encourage AID to refocus assistance programs. "This is a

strong indication that AID has gotten our message, that the U.S. can help developing nations without shooting ourselves in the foot," says ASA President, David Haggard. An Iowa corn and bean farmer, Acker says future AID projects will focus on "boosting utilization of soybeans and other farm products".

Item D

ASA-a new release (October 4, 1987):AID RESPONDS TO SOYBEAN ASSOCIATIN CHARGES

St. Louis, MO--The Agency for Internation Development (AID) will evaluate the impact of agricultural development programs more carefully in the future, a high-ranking AID administrator told a recent meeting of American Soybean Association farmer leaders.

Dr. Nyle Brady, Senior Assistant Administrator for AID, made the statement in response to American Soybean Association charges that AID funds are being used to develop new soybean varieties and to improve soybean production in countries that compete with the U.S. for world soybean markets.

Brady said the agency would "take a more careful look at programs to be certain to minimize serious adverse effects on U.S. agricultural exports." He also said the agency will look for ways to achieve interaction with U.S. commodity groups like the Soybean Association.

APPENDIX IV: EXAMPLES OF ASA REQUESTS FOR ADDITIONAL CHECKOFF PAYMENTS AND MEMBERSHIP FUNDING

Following ASA success in changing AID policies, the following requests for additional farmer support of ASA activities were published.

Item A

*ASA-SoyNews-International (December, 1985):Missed Opportunity

This fish could get away: The government of Spain has launched a program to expand the country's fish industry. Officials estimate a potential market for soybean meal in fish feeds of as much as 2.3 million bushels. But Spanish fish producers aren't feeding soybean meal because they don't know about it. A checkoff-funded marketing program could develop the market, but current checkoff funding is not adequate to meet the needs of Spain's growing fish industry.

Item B

*ASA-SoyNews-International (November, 1985): More Funding Needed

Another potential market: India. Consumer awareness of soybean oil very low there, reports Gil Griffis, Soybean Association Division Manager-Asia.
Additional funding support for India would allow the Soybean Association to expand promotion emphasizing soybean oil as a top-quality cooking oil. Griffis estimates that within five years, such a promotion program could mean a new market for the equivalent of 1.8 million bushels of soybeans.

Item C

*ASA-SoyNews-U.S. (February, 1986):Missouri Checkoff

Missouri farmers voted in December to give state checkoff board authority to <u>increase soybean checkoff to 1 cent</u> in 1986 and maximum 2 cents after 1988.

*ASA-SoyNews-U.S. (May, 1986):Kentucky Profits Investment

Soybean farmers in Kentucky are the latest to increase their checkoff investment to one cent per bushel, effective July 1.

Item D

*SoyNews-U.S. (April, 1986):FAS to Cut Soybean Funds

Funding for market promotion will be in jeopardy if threatened cuts in USDA Foreign Agricultural Service (FAS) funding are carried out. Proposed cuts of 50% for soybean product programs would slash $3.4 million from promotion budgets. ASA president George Fluegel points out that more that 50% of U.S. beans are sold overseas and urges farmers to protest to legislative respresentatives in Washington.

APPENDIX V: BUMPERS AMENDMENT TEXT

Senator Dale Bumpers proposed Amendment No. 1129 in reaction to letters which his office received, letters which other elected officials received, and information his staff obtained through the farm press and in conversations with ASA representatives. The amendment has not been a central focus of this thesis. This is due to the fact that ASA leaders have never claimed responsibility for the amendment or used it as an example of their effectiveness in communications with ASA members. The discussions between AID and ASA which resulted in the ASA/AID task force formalizing ASA input into the development of soybean related policies took place before this amendment had been approved by Congress. The really important institutional innovations which took place within AID, and the policy determimination which they represented, are functionally more significant than the amendment. These innovations embody AID's desire to increase the consideration of domestic interests during program formulation and do not require congressional monitoring to ensure legislation compliance for their implementation.

From the Congressional Record-Senate, September 22, 1985, pp. S16269-16270.

Amendment No. 1129

None of the funds authorized to be appropriated to carry out chapter 1 of part 1 of the Foreign Assistance Act of 1961 may be available for any testing or breeding, feasibility study, variety improvement or introduction, consultancy, publication, conference or training in connection with the growth or production in a foreign country of an agricultural commodity for export if such export would compete in world markets with a similar commodity grown or produced in the United States. Nothing in this section shall be construed to prohibit activities designed to increase regional food security in developing countries if such activities will have a negligible impact on efforts to promote agricultural commodities of the United States; nor shall anything in this section be construed to prohibit research activities intended primarily to benefit American producers.

APPENDIX VI: BUDGET SUMMARY: AMERICAN SOYBEAN ASSOCIATION

FAS and Cooperator Contributions, FY 1956-1986

YEAR	FAS FUNDS		ASA CONTRIBUTIONS		
	Approved Budget	Disbursed	Cash	Goods & Services	Total
	$1,000 Equivalent				
1956	0	5	0	0	0
1957	0	63	30	7	37
1958	0	112	9	11	20
1959	0	88	16	4	20
1960	0	81	23	0	23
1961	0	89	24	4	28
1962	0	131	14	18	32
1963	0	107	18	0	18
1964	0	145	23	0	23
1965	0	160	27	8	35
1966	0	160	31	22	53
1967	0	213	41	22	46
1968	265	227	45	4	49
1969	331	253	50	0	50
1970	696	528	114	6	120
1971	1031	688	164	10	174
1972	1335	846	360	19	379
1973	1403	1190	604	20	624
1974	1336	1178	1015	40	1055
1975	1509	1221	1193	53	1246
1976	1558	1226	1014	110	1124
1977	1751	158	1262	99	1361
1978	2067	190	1582	63	1645
1979	2836	283	3796	205	4001
1980	3012	889	3521	236	3757
1981	3178	2766	3438	365	3803
1982	3503	3089	3648	246	3894
1983	4178	3272	4632	288	4920
1984	6102	4328	4725	1603	6328
1985	6571	5489	3913	1544	5457
1986	6842	6402	3767	1426	5193

Source: Oilseeds and Products Division/Marketing, Foreign Agricultural Service, February 2, 1987.

APPENDIX VII: EXAMPLES OF ANTI-AID PRESS RELEASES

Delta Farm Press; Timely, reliable information for Mid-South agriculture-(July 5, 1985): "Cutting our own Throats:Government funds aiding competitors?"

Washington-Last year, the University of Illinois received $6.4 million from the U.S. Agency for International Development to improve soybean varieties and production practices in the tropics.

North Carolina State University was given $3 million in AID funds for agricultural research in Peru and $1 million to study nematodes in developing countries.

A group of Midwest universities got $1.35 million to help develop oilseed production in Burma.

All told, the government agency provided at least $341 million to American land agrant universities and other colleges for overseas projects, many of them in countries that compete with the United States for export markets.

"Each of those grants, no doubt, was made with the best of intentions," says John Baize, director of Washington operations for the American Soybean Association.

But those, and other millions of dollars awarded by AID in previous years, are contributing directly to rapidly declining export numbers for U.S. commodities.

"When the ASA-Elanco Trade Policy Mission went to Bazil last winter, we saw new soybean varieties that had been developed with the assistance of researchers from the University of Illinois and Mississippi State University," says Baize.

"Those varieties could help Brazil open a whole new area of their country to soybean production.

The impact of U.S. agricultural research is evident throughout Brazil and Argentina, two countries which have become major competitors with the United States for the world's oilseed markets.

During the Argentine portion of their trip, Baize said trade policy mission members observed farmers producing 40 to 60 bushels of soybeans per acre without fertilizer, for the most part using U.S. cultural practices.

..."Certainly, we must not turn our back on hunger and malnutrition, but we cannot continue to help our competitors cut our throats in the international marketplace."

Soybeans are not the only commodity affected by AID funding.

Texas A & M, for example, last year received $962,025 to identify and respond to the technology needs of small farmers in Paraguay.

The University of Kentucky was given $1.9 million last year to set up a program for increasing farm productivity and income in Thailand.

Louisiana State University was awarded $3.2 million in 1984 to provide technical assistance to Liberia's Central Research Institute for crop and soil research.

The University of Georgia researchers are using $4.4

million in AID money for a peanut collaborative research program overseas.

AID funds are going to research organizations such as the Louis Berger International Foundation, which has a grant of $2.2 million to assist Syria in expanding a soil survey.

The International Center for Agricultural Research in Dry Areas is listed as receiving $10.3 million to support research in Syria for a cereals improvement program.

The agency also last year provided $12 million to the International Maize and Wheat Improvement Center in Mexico City "to support research and production programs to increase productivity of corn and wheat in the developing world".

Baize said he finds the situation extremely disconcerting.

"Our land grant universities were established to help American farmers, and its time they stick to that mission," he said.

"If some professor wants to help Brazil develop better soybean varieties, let him immigrate to Brazil and work for a Brazilian university or research center at a Brazilian salary. Otherwise, he should go to work to help American farmers."

"...we must begin now to rectify the situation by restoring American agricultural competitiveness."

A first step, he said, would be to sop shipping U.S. expertise to other countries with taxpayer dollars.

"That is an asinine policy that must be stopped."

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