

## **Crisis and Opportunity in the American Economy – and in Farming<sup>1</sup>**

John Ikerd<sup>2</sup>

America is in a time of crisis. We are in the midst of the most severe economic downturn since the Great Depression of the 1930s with little sign of recovery to previous levels of economic prosperity. The U.S. remains bogged down, militarily and economically, in two wars in the Middle East, with little hope of a permanent resolution to either. We are confronted with the prospect of declining global petroleum supplies extending indefinitely into the future. The most abundant alternative sources of fossil energy – particularly coal – present unacceptable risks to the natural environment in a time of growing concern about global climate change. All sources of renewable energy combined – wind, water, photovoltaic, – will be less plentiful and more costly than fossil energy. Each time the global economy begins to recover it will hit a wall of rising energy prices at lower and lower levels of economic activity.

An uptick in the GDP in 2010 theoretically ended the economic recession. However, unemployment has persisted at nearly 10% of the American workforce. Underemployment is closer to 15%, including those employed only part-time and those who have given up on finding jobs. The prospect of an extended “jobless recovery” means the gap between the wealthy and the rest of us will continue to grow even wider. The wealthiest 1% of Americans already take in more income than the poorest one-half – the widest gap since the Gilded Age of the early 1900s.

A complete economic meltdown in early 2009 was averted only by major tax cuts and a massive government spending program. As a result, the national debt is now spiraling out of control. There is little prospect for resuming of the rate of economic growth that both Democrats and Republicans are counting on to bring the federal budget deficit under control. Skyrocketing costs of health care and looming increases in the Social Security and Medicare claims of “baby boomers” add urgency to the budget crisis. An economy propped up by government debt that American taxpayers are unwilling to repay is no more sustainable than the previous economy propped up by housing loans that homebuyers couldn't repay. Those who are not concerned about the future of America simply don't understand, or perhaps don't want to understand, the gravity of today's situation. This is not just another economic recession; this is a crisis.

We see the magnitude of the crisis perhaps most clearly in the diminishing employment opportunities for middleclass American workers. The good paying manufacturing jobs with paid retirement and health insurance are either being moving to lower-wage countries or being replaced with lower-paying jobs or part time jobs with few if any fringe benefits. Most former factory workers lack the aptitude and training for the high-tech jobs that were promised as replacement. In addition, many of the new high-tech jobs also are going to lower-wage countries,

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<sup>2</sup> John Ikerd is Professor Emeritus, University of Missouri, Columbia, MO – USA; Author of, *Sustainable Capitalism*, <http://www.kpbooks.com>, *A Return to Common Sense*, <http://www.rtedwards.com/books/171/>, *Small Farms are Real Farms*, Acres USA, <http://www.acresusa.com/other/contact.htm>, *Crisis and Opportunity: Sustainability in American Agriculture*, University of Nebraska Press <http://nebraskapress.unl.edu>; and *A Revolution of the Middle and the Pursuit of Happiness*, on line at <http://sites.google.com/site/revolutionofthemiddle/>. Email: [JEIkerd@centurytel.net](mailto:JEIkerd@centurytel.net); Website: <http://faculty.missouri.edu/ikerdj/> or <http://www.johnikerd.com>.

particularly India and China. In agriculture, we see a parallel trend in the demise of the mid-sized, full-time family farms – agriculture of the middle. Farm employment is being lost to the industrialization of agriculture. Industrialization inevitably replaces people – labor and management – with machines and computers – capital and technology. In addition, many displaced farmers are no longer able to find off-farm employment adequate to support their families in the currently faltering non-farm economy.

We also see a growing concentration of wealth in agriculture among the largest farm operators, non-residential landlords, and outside corporate investors. Larger farms mean fewer farms and concentration of economic and political power, which is used to manipulate markets and shape farm policy. In addition, the proliferation of large-scale contract feeding operations – poultry, hogs, dairy, and beef – is siphoning the remaining income and wealth out of rural communities and into the coffers of wealthy corporate investors. Concentration of economic and political power has ensured generous government subsidies for industrial agriculture, which inflate the market value of farmland and create economic barriers for new farmers.

Farmers are also caught up on the perils of rising energy costs with an agriculture that is hopelessly dependent of fossil energy. The impressive productivity of American agriculture is a direct consequence of cheap fossil energy – for fuels, fertilizers, and transportation. The American food system claims about 20% of all fossil energy used and requires about 10 calories of fossil energy for each calorie of food energy produced. About one-third of this total is accounted for at the farm level. The food system also contributes a similar share of environmental problem, as greenhouse gasses are inevitably released through the use of fossil energy. Farming poses an added threat to global climate change through the release of methane, a powerful greenhouse gas, from livestock operations and carbon dioxide from tillage of the soil.

A new challenge looming on the horizon is the growing public awareness that rising health care costs may well be linked to the industrialization of agriculture. Diet related illnesses are major contributors to growing costs of health care, including obesity, diabetes, hypertension, heart failure, and various types of cancers. Obesity related illnesses alone are projected to claim about one in five dollars spent for health care in America by 2020 – erasing virtually all of the gains made in improving public health over the past several decades.<sup>i</sup> There is a growing body of scientific evidence linking industrial agriculture to foods that are rich in calories and poor in nutrients, thus fueling an epidemic of obesity and other diet-related illnesses.<sup>ii</sup> This clearly is a time of crisis for American Farmers as well as the American Economy.

A crisis is a time of great peril but also a time of great opportunity. The Chinese word for *crisis* is commonly interpreted to mean both danger and opportunity. The Chinese symbol for crisis is composed of two characters. Scholars generally agree the first symbol means “danger,” but some suggest the second symbol is most accurately interpreted as “a critical point in time.” A crisis then is a point in time when we are forced by perilous circumstances to make choices that will fundamentally change the future, for either better or worse. Within today's crisis, there is great danger but also great opportunity, in agriculture and in the overall economy. But, we must first find the courage to confront the realities of the perils if we are to realize the opportunities.

One reality we must confront is that today's economic crisis is not a crisis of confidence that can be restored by a stimulus of government spending and tax cuts. While both made sense to stave off a possible economic depression, neither will cure what's wrong with the U.S. economy today. Today's crisis is not a crisis of confidence but instead is a crisis of sustainability.

Since the 1980s, if not longer, the U.S. economy has been systematically using up the resources needed to produce things of *real* economic value. Things have real economic value only to the extent that they are useful to people, or in economic jargon, have *utility*. To be useful, something must fulfill legitimate human needs, which include sensory pleasure and self-esteem as well as material necessities. Inflationary price increases obviously do not increase utility or usefulness of things and thus do not increase real economic value. However, even after adjusting for inflation, much of the growth in the U.S. economy in recent decades is more illusion than reality. The economic illusion has masked the dwindling ability of our natural and human resources – of nature and people – to produce things of *real* economic value.

We now know that much of the economic growth in the early 2000s was an illusion – a “financial bubble” inflated by people borrowing and spending money they couldn't repay. Much of the economic growth of the 1990s was fueled by “irrational exuberance,” using the words of Alan Greenspan, which created the “dot.com bubble” on Wall Street. These speculative bubbles were possible because of the systematic dismantling of financial regulations enacted after the Great Depression. When the speculative bubbles burst, the illusions were revealed. The same will be true of any new speculative bubble created by deficit government spending. Speculative economic growth is not real economic growth; it creates nothing useful.

In addition, much of the real economic growth since 1980 was made possible by the watering down and dismantling of environmental and social legislation enacted during the 1970s. The environmental and civil rights movements were efforts to protect and renew our natural and human resources need to sustain prosperity. However, it's ultimately cheaper to extract and exploit than to protect and renew. The economic growth that resulted from the depletion of natural resources, degradation of the natural environment, and depreciation of the American workforce, quite simply was not sustainable. All real economic value ultimately is derived from nature and society. The U.S. has been depleting the usefulness and productivity of its natural and human resources and slowly losing its ability to create real economic value.

Extractive and exploitative economic growth may be real, but it is not sustainable. Americans have retreated to economic illusion because we were unwilling to face the harsh reality of our lack of economic sustainability. If we are to create a sustainable economy, we must make the investments necessary to restore and maintain the productivity of our natural and human resources; we must protect, renew, and regenerate the health and productivity of our natural and human resources. We must sustain the productivity of nature and society. Only when we face this economic reality can we realize the opportunities within the current crisis.

First, we must face the reality that we simply cannot sustain the rates of economic growth to which we have become accustomed. The economic growth rates of the industrial era were made possible by cheap and abundant energy – first the old growth forests, then coal, and for the past century, cheap petroleum. But the days of abundant, cheap energy are over. The industrial era

was an aberration in human history that is not likely to be repeated. With a growth rate of only 2.5 percent, a global economy that started out with one-dollar total GDP in year 1, 2010 years ago, would generate a \$3.5-sextillion GDP today – that's \$3.5 followed by 20 zeros. Such an economy would be equivalent in size to everyone in the world, all 6.25 billion of us, spending more than \$1-million every second of every day of the year. Furthermore, we could expect this amount to double in another 30 years. Obviously, such growth is simply not sustainable.

Once we accept this reality we can move forward to a new and better era – an era of “prosperity even without growth.” The American Declaration of Independence lists life, liberty, and the pursuit of happiness as being among the unalienable rights of all Americans – not the pursuit of wealth, but the pursuit of happiness. We are on the cusp of a new era of human progress, if we can find the courage to abandon our relentless pursuit of wealth and return to the pursuit of happiness. “Prosperity,” which is derived from the Latin word for “doing well,” might be a useful bridge back to the pursuit happiness. Prosperity suggests something more than material well-being or wealth. As a distinguished group of scholars brought together by the Sustainable Development Commission of the United Kingdom concluded, “Prosperity has vital social and psychological dimensions. To do well is in part about the ability to give and receive love, to enjoy the respect of your peers, to contribute useful work, and to have a sense of belonging and trust in the community.”<sup>iii</sup>

In Buddhist philosophy, prosperity is sometimes defined as a state of *flourishing* or *thriving*. These same words have been used to describe the Greek philosopher Aristotle's concept of *happiness*, which has important social and moral dimensions. Aristotle believed happiness was a byproduct of “virtuous” relationships. The British study distinguishes between prosperity and happiness by defining happiness as a passing feeling of joy or elation. True happiness, however, comes from a sense of contentment at the core of the being. True happiness is not passing but instead an ongoing aspect of life in good times and bad. The pursuit of prosperity is closely linked to the pursuit of true happiness.

Prosperity includes economic well-being but it also includes social and ethical dimensions of well-being. Even today, a growing body of social science research indicates that beyond some fairly modest level of income there is no relationship between further increases in income and increases in happiness or overall well-being.<sup>iv</sup> Once our basic material needs are met – food, clothing, shelter, health care, – the quality of our life depends far more on the quality of our relationships – friends, family, community, society, – than on quantity of income or wealth. Happiness also depends on having a sense of purpose and meaning in life. Once our material needs are met, the pursuit of happiness is about developing the social and spiritual dimensions of life, rather than striving to acquire more income or wealth.

Perhaps most important, the pursuit of prosperity or happiness is sustainable. In fact, the three essential dimensions of sustainability are identical to the three dimensions of happiness. First sustainability is ultimately an ethical or moral question; it asks, how can we meet the needs of the present without diminishing opportunities for those of the future? The only sense in which we have a responsibility for those of the future is in the ethical or moral sense of our responsibility for the future of humanity. Sustainability is also a social question in that it asks how we can meet the needs of *all* in the present, not just those who have the economic means to

buy what they need. Finally, sustainability is an economic question, in that we have to meet our own economic needs if we are to fulfill our social and ethical responsibilities to others. Sustainability is built upon a foundation of ecological, social, and economic integrity. Like happiness and prosperity, sustainability requires harmony and balance among the ethical, social, and individual dimensions of our lives.

Perhaps the pursuit of prosperity will be more acceptable as a goal for government policy than is the pursuit of long-run economic sustainability. Regardless, the pursuit of either is virtually synonymous with the pursuit of true happiness. Prosperity obviously requires some amount of individual wealth but does not necessarily require economic growth. Government programs that promote prosperity by ensuring ecological and social integrity will require money, which must come from taxes on the income and wealth of taxpayers. However, growth in tax revenues need not grow any faster than growth in incomes, individual incomes need not grow any faster than the growth in population, and over time, the population need not grow at all.

The mistaken belief that prosperity requires growth is rooted in the belief that human happiness depends on having some sense of progress or achievement in life. There are always opportunities for progress in our individual lives. Beyond some very modest level, what matters is how much money people make or have *relative to others*, not the absolute amount. In addition, there will always be opportunities for individuals to acquire more wealth, even if the economy in general does not generate more wealth. Fortunes will always be made and lost by individuals. The lack of economic growth does little if anything to diminish the opportunities for individual economic success.

One logical strategy for maintaining employment during cyclical economic downturns is to create opportunities for each worker to work fewer hours – to share the work. This would leave more time for building relationships and contemplation of life's deeper ethical and moral values. When the economy inevitably slumps, rather than having ten-percent unemployment, everyone could go home at noon on Friday, leaving enough jobs for everyone else by working ten-percent less time. It wouldn't be quite that simple, but the basic idea is to reduce employment for more people so fewer people will be completely out of work.

Over the longer run, government policies could be redirected to create more jobs per thousand-dollars in GDP, rather than to generate a larger GDP with fewer workers. Government funded research and development could be refocused on new technologies that employ more people and fewer mechanisms rather than technologies that employ fewer people and more mechanisms. This does not mean returning to the labor intensive production of the past. It does mean producing things that depend more on uniquely human capacity for thinking – creativity, imagination, insight, and intuition. More sophisticated mechanisms will simply employ fewer “non-thinking” people in the process of mass producing more cheap stuff. The industrial era is over. It's past time for a change in government policy.

These are not radical or even new ideas. Classical economist, John Stuart Mills, suggested that economic growth should continue only until everyone enjoyed some “reasonable standard of living.” After that, he suggested a “stationary state” economy could continue to meet the basic needs of people. Adam Smith recognized that the economy might eventually exhaust its natural

and human resources and reach some maximum sustainable level of output. The father of Keynesian economic theory, John Maynard Keynes, anticipated this new era back in the 1920s. He wrote, “the *economic problem* may be solved, or at least within sight of solution, within a hundred years. This means that the economic problem is not... *the permanent problem of the human race*.”<sup>v</sup> Man's permanent problem will be “how to use his freedom from pressing economic cares... to live wisely and agreeably and well.”

Keynes was right. The “economic problem” has been solved for the vast majority of Americans as well as those in the rest of the so called *developed* world. In fact, most Americans probably had as much material wealth as we actually needed to be happy as far back as the 1950s. A 2004 review more than 150 scholarly studies indicate that as national economies grow, beyond some very modest level of material well-being, around \$10,000 to \$15,000 per capita – there is little if any correlation between wealth and the overall happiness of people in a nation.<sup>vi</sup> A 2003 British cabinet office report confirmed that “Despite huge increases in affluence compared with 1950, people throughout the developed world reported no greater feelings of happiness.”<sup>vii</sup>

Keynes also wrote, “There is no country and no people, I think, who can look forward to the age of leisure and abundance without dread. For we have been trained too long to strive and not enjoy... It will be those people, who can keep alive, and cultivate into fuller perfection, the art of life itself, and do not sell themselves for the means of life, who will be able to enjoy the abundance when it comes.” The challenge of sustaining prosperity without growth, for farmers and for society in general, is to not continue to sell ourselves for the means of life, but to cultivate the art of life itself, to learn to live wisely, agreeably, and well.

Fortunately for farmers they need only return to *real* farming. As with the industrial era, farming as just another agribusiness is an unsustainable aberration in human history. Historically, the word *farm* comes from Middle English word, *ferme* (“variously meaning: tenant, rent, revenue, stewardship, meal, feast”), from Old English *feorm*, *farm* (“meaning provision, food, supplies, possessions, rent, feast”), from Proto-Germanic *firmō*, *firχumō* (“means of living, subsistence”), and from Proto-Indo-European *perk<sup>w</sup>u-* (“life, strength, force”).<sup>viii</sup> It is related to other Old English words such as *feormehām*, *feormere* (“purveyor, grocer”), *feormian* (“to provision, sustain”), and *feorh* (“life, spirit”). The Old English word was borrowed by Medieval Latin as *firma*, *ferma* (“source of revenue, feast”), and strengthened by the word's resemblance to the Latin words, *firma*, *firmus* (“firm, solid”) and *firmitas* (“security, firmness”).

Farmers need only reclaim the richness of the historic meaning of farming and reject the concept of farming as agribusiness. Certainly, economic concepts such as “rent, revenue, tenant, and means of living” have been historical aspects of farming. But, farming also has been identified with the provision of physical and mental sustenance for society, including “provision, grocer, subsistence, life, benefit, spirit, and feast.” Equally important, farming has always included a moral or ethical commitment to long run food security or permanence: “stewardship, strength, firm, solid, security, and sustain.” Real farming has always been an ethical, social, and economic way of life – a means to pursue happiness. Sustainable farming isn't really a new idea. A real farm has always meant an economically, socially, and ecologically sustainable farm.

Historically, farmers were held in high esteem in the United States and around the world because of their unique importance to human society. Thomas Jefferson believed strongly that the “yeoman farmer” best exemplified the kind of “independence and virtue” that should be supported by the new democratic republic of the United States. He believed financiers, bankers, and industrialists could not be trusted and should not be encouraged by government. In light of our current situation in the U.S., “Jeffersonian Democracy” still makes a lot of sense.

Adam Smith, in writing the *Wealth of Nations*, noted that no endeavor requires a greater variety of “knowledge and experience” than does farming, other than possibly the fine arts or liberal professions. He observed that farmers ranked among the highest social classes in China and India, and suggested it would be the same everywhere if the “corporate spirit” did not prevent it. Smith also suggested that “they who feed, clothe, and lodge the whole body of people, should have a share of the produce of their own labor as to themselves be tolerably well fed, clothed, and lodged.”<sup>ix</sup> Smith's reference to China was to the ancient philosophy of Confucius which ranks farmers second only to the academics or scholars in the Chinese social order. Following the farmer is the worker, and lastly, the businessman. Note that all of these respected historical figures placed those concerned primarily with economic matters at the lowest levels of society and those engaged in agriculture at or near the top.

The real farms of the future will be smaller than most of today's commercial farms because sustainable farms are inherently more management and labor intensive, meaning more farms and more opportunities for farmers. Such farms will fit the new post-industrial paradigm for technology development by employing more people in the process of producing a given amount of food. It will take knowledge, creativity, innovation, and entrepreneurship to produce enough food to meet the needs of all sustainably. Human scale technologies, such as the microcomputer, will make knowledge more easily acquired and creativity and entrepreneurship more effectively used. Even today, organic and other sustainable systems of food production can produce as much or even more than industrial systems per acre of land or dollar of investment using far less fossil energy. They just require more thoughtful, insightful, caring farmers.

Sustainable American communities of the future will have preserved and restored the fertile farmlands that remained in the areas where most of the cities and towns in America were initially settled. They will be communities that understand that today's local food movement is not just about restoring healthy diets and healthy bodies, although health is obviously essential to physical well-being. Local foods provide both the motivation and means of reconnecting people in meaningful personal and social relationships. Local food systems also will allow people to support their local farmers economically, and thus support their local economies. Through local farmers, people reconnect spiritually with the land and regain a sense of purpose and meaning in life through a commitment to stewardship of nature.

Our current well-being and the future of humanity are no less dependent on *real* farmers today than in the days of Jefferson, Smith, or even Confucius. We are just less aware of our dependencies on the land and the people who farm it. Most important, real farmers, sustainable farmers can demonstrate to the rest of American society that it is possible to meet the challenges of today and to seize the opportunity to create a new and better way of life for the future. The entire economy is just as dependent on the resources of the earth and imagination, creativity, and

caring of the people who bring forth economic value from the earth as is agriculture. The connections are just easier to see in agriculture. Restoring quality of life to real farming and sustainability to agriculture can serve as powerful examples of the possibilities for restoring true prosperity and happiness to life in America and sustainability to the American economy.

However, none of these good things will be possible unless we abandon our pursuit of narrow, individual economic self-interest and return to the broader pursuit of happiness and quality of life. Obviously, we are physical beings, but the material needs are quite modest and well within the earth's capacity to sustain a regenerative economy. We can't sustain continual economic growth but we can sustain sufficient economic growth to meet the basic needs of all, if we choose to do so. We can sustain prosperity even without economic growth, if we find the wisdom to focus our time and energy on relationships and ethics instead of economics. We can find happiness in harmony and balance among the material, social, and spiritual dimensions of our lives.

For most Americans, including most farmers, the “economic problem” of life has been solved; we have more income than we actually need to be happy. The real opportunity for the future, including for farmers, is to move on to the “permanent” problem of society: learning to live “wisely, agreeably, and well” for which there are no limits to betterment and growth. It will not be easy to stop our striving for things we think we want but know we don't really need; this is our crisis. There probably is no better place to confront this crisis and realize the opportunities than on a good farm.

#### End Notes:

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<sup>i</sup> Cost Of Treatment For Obesity-Related Medical Problems Growing Dramatically, *Rand Corporation*, <http://www.rand.org/news/press.04/03.09.html> .

<sup>ii</sup> Examples of such studies: Donald Davis, Melvin Epp, and Hugh Riordan, 2004, “Changes in USDA Food Composition Data for 43 Garden Crops, 1950 to 1999” *Journal of American College of Nutrition*, 23:669-682. Bob Smith, 1993, Organic Foods vs Supermarket Foods: Element Levels, *Journal of Applied Nutrition*, 45:35-39. WM Jarrell and RB Beverly, 1981, “The Dilution Effect in Plant Nutrient Studies,” *Advances in Agronomy*, 34:197–224.

<sup>iii</sup> *Sustainable Development Commission*, Scotland, Wales, and Northern Ireland, <http://www.sd-commission.org.uk/pages/prosperity-without-growth-background.html>

<sup>iv</sup> Ed Diener and Martin EP. Seligman, “Beyond Money, Toward an Economy of Well-Being,” *Psychological Science in the Public Interest*, 5 (1), 2004, 1–31.

<sup>v</sup> John Maynard Keynes, *Essays in Persuasion*, (Miami, FL: BN Publishing – no copyright date) pp. 366-368.

<sup>vi</sup> Diener and Seligman, “Beyond Money,” *Psychological Science in the Public Interest*, 5 (1), 2004, 1–31.

<sup>vii</sup> Oliver James, “Children before cash; better childcare will do more for our wellbeing than greater affluence,” *The Guardian*, May 17, 2003.

<sup>viii</sup> Wikipedia, The On-line Dictionary, “farm.”

<sup>ix</sup> Adam Smith, *Wealth of Nations*, (1776, New York: Prometheus Books, 1991) p. 83.