7. Be Careful What You Ask For: Economic and Political Determinants of Kansas Agricultural Profits

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Abstract/Summary

Today's most important issues will be explored: Democracy, capitalism, globalization, immigration, food security, and technological change. How do free trade agreements such as NAFTA, the WTO, and the EU affect Kansas agriculture? Do market forces unleashed by global capitalism result in good outcomes, or deindustrialization and job loss? How do biofuels affect commodity prices and agricultural profitability? How would tighter restrictions of the movement of labor into the USA affect Kansas agriculture? Economic principles are used explain these timely, important, and interesting issues.

be careful what you ask for:
kansas agricultural profits

andrew barkley

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kansas agricultural profits

• FREE MARKETS

• FREE TRADE

• IMMIGRATION

• OIL

• TECHNOLOGICAL CHANGE

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free markets

(capitalism)

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free trade

(globalization)

(international trade)

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globalization

• Free markets and free trade increase social welfare (benefits outweigh costs).

• However, not all individuals and groups are made better off!

Free Trade Agreements

• Free movement of goods between all member nations

• No common tariffs for nonmembers

North American Free Trade Agreement (NAFTA)

customs unions

- Free trade of *goods* between all member nations

- Free movement of *labor* between all member nations

- Free movement of *services* and *capital* between all member nations

- Common currency

European Union (EU)

- Customs union

- Formed in 1957 with 6 nations

- Currently includes 28 nations

- Eurozone includes 19 nations
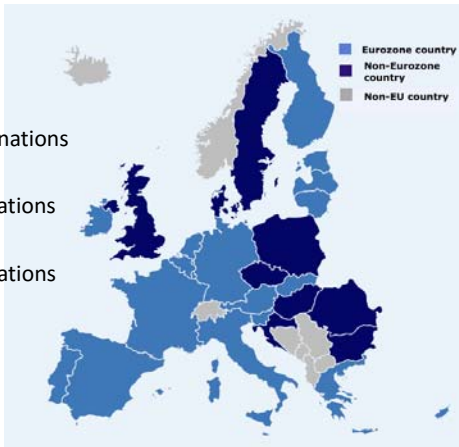
immigration

National Agricultural Workers Survey (NAWS)

- 2002 53 percent of farm workers unauthorized

- Experts suggest 75 percent unauthorized

- First-year workers 99 percent unauthorized
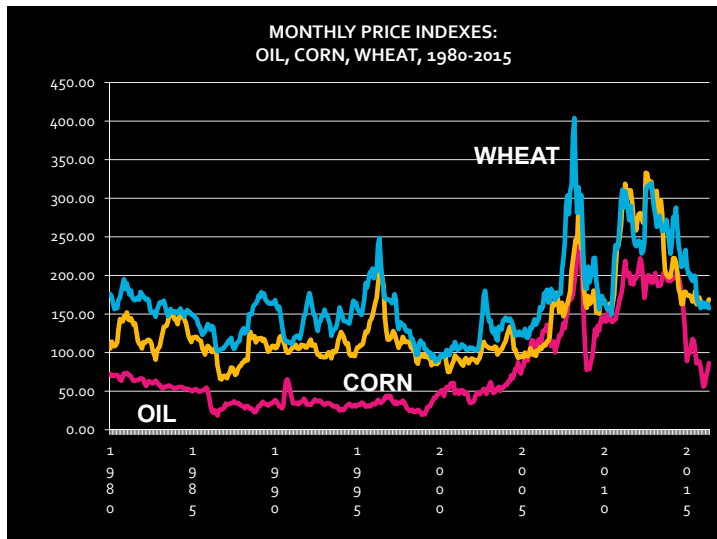
KANSAS POPULATION

- 198,173 immigrants

- 6.8 percent of Kansans are foreign-born

- 13.6 percent of Kansans are Latino or Asian

American Immigration Council

oil

Commodity Prices are Correlated

Agricultural commodity prices depend on oil prices due to biofuels

**MONTHLY PRICE INDEXES:
OIL, CORN, WHEAT, 1980-2015**

technological change

agricultural technological change

- Massive increase in agricultural productivity

- Replacing workers with machinery and chemicals

Why are profits currently low?

- Oil prices low

- Economic recession

Why are profits likely to rise?

• Oil prices increasing

• Economic recovery

conclusions

Free Markets and Free Trade

• Huge success in increasing national incomes

• Not every individual or group is made better off

• People paid what they are worth

Immigration

• Agricultural profits rely heavily on outside labor

Oil

• Agricultural commodity prices highly correlated with oil price

Technological Change

• Agriculture relies on innovation and change

• Early adopters receive benefits