



THE FARMER IN A PROSPEROUS ECONOMY  
[1952?]

Credit serves a very useful purpose in any civilized economy and without it business and industry could not maintain the high level of production and employment that have steadily raised the standard of living of the American people. However, profligate use of credit has created distortions in the past that have been the forerunner of painful readjustments.

After World War I an excessive expansion of credit was used to purchase farms and other real estate, principally farms in the Middle West. Prices became exorbitant and the yields from the farms did not pay a reasonable return on the very high costs of the land. As credit expanded still further, second and third mortgages found their way into the portfolios of the banks. Later on when the readjustment came, many banks were plunged into serious difficulties from which they could not extricate themselves. Too many of these mortgages had lost their value.

A little later on, credit was lavishly extended to foreign countries. These debts might have been repaid if the borrower countries could have sold us enough goods and services to obtain the dollars necessary not only to service but to amortize the debts. But Americans were not aware of or not reconciled to the fact that World War I had changed us from a debtor to a creditor nation. The Smoot-Hawley tariff bill further restricted foreign trade and made it more and more difficult for our foreign debtors to pay us. The loans fell into default and sales of products based upon loans of American dollars evaporated. We were in for serious trouble.

In addition, many people became interested in speculating in securities in the stock markets. Credit was available at a very small margin on the part of the purchaser and the market boomed as more and more credit flowed into that sector of the economy. When the inevitable readjustment came, it left a wide trail of economic -- and human -- wreckage in its wake. The depression of the early 1930's should have taught us some lessons about the use -- or abuse -- of credit.

Today we have an unprecedented expansion of credit in installment buying and in housing. In 1939 total consumer credit amounted to only 7 billion dollars. Today it amounts to over 25 billion dollars. This expansion has created a record-breaking demand for consumer goods and particularly durable and other items purchased on an installment basis. In addition, residential credit, which amounted to 19 billion dollars in 1946, now amounts to 58 billion dollars. In other words, the housing boom has been financed by a huge expansion of credit. These statistics are essential to any realistic evaluation of the business prospects for the future.

Farmers have a particular interest in instalment credit because if a person mortgages too much of his future earnings he is not able to buy as many agricultural products as would otherwise be the case.

The farm programs of the past are currently being reviewed carefully. This is all to the good because these programs have been in effect about twenty years and a careful reappraisal should enable us to chart our course more accurately for the future.

First, we must take into account the fact that the present program has survived two droughts and a major war and all of the time our people and our Allies had access to an abundance of good quality agricultural products at reasonable prices. I have said many times in the past, and I repeat, that the legislation on which our farm programs were based was the best piece of agricultural legislation that has ever been given to the farmers. This does not mean that it cannot be improved upon but it is well to remember that the main parts of the program have successfully met very severe tests and have survived.

American agriculture is made up of millions of farmers on their individual farms. It is impossible for individual farmers to regulate their production in line with effective demand. Only through cooperative action can they accomplish this result.

Our nation must surely know that a strong, prosperous agriculture is essential for the good of the country as a whole. It might be well to examine the history of agriculture in England and see if we can learn anything from that experience. In 1846 England abandoned its corn laws and agriculture rapidly declined. In 1946, after the experience of two major wars, England reaffirmed her interest in agriculture and now has a program that enables her farmers to make a decent living. Many people in England will tell you, as they have told me, that a prosperous agriculture is a splendid balance wheel for their economy. Certainly, I believe the same thing is true for this country.

Now let us look at our own experience with farm programs. I want to call attention particularly to the very large carry-over of corn, wheat and other crops that enabled us to go through two droughts and a very long and costly war. It was not an accident that these carry-overs were available -- it was part of a well thought-out plan. In the spring of 1939 it was necessary to make a decision as to whether acreage allotments should be reduced or increased for the winter wheat crop to be planted that fall. If war developed -- and war had not yet been declared -- it was certain that a large supply of wheat would be required by England and other democratic countries. It was decided that American agriculture would far rather be prepared with an adequate supply of food and fiber and run the calculated risk of future prices than to have a war break out

that would require early rationing. The record of that period clearly illustrates how well the American farmers met their responsibility to their own and kindred peoples.

The American people must make up their minds whether they want to continue to have the protection of a large carry-over of our storable crops or whether they are willing to risk a small, inadequate one. The farm is not like a manufacturing plant. If a manufacturer finds his market is declining, he can immediately reduce his production. The general public is not severely hurt though the unemployed workers are and the community loses their purchasing power. The farmer, however, is helpless by himself in the grip of the unpredictable and unmanageable forces of nature. And a serious shortage of food and fiber injures all of us.

There is only one conservative course to follow. That is to provide a large supply of storable agricultural commodities in the favorable years so they will be available for any emergency, including lean years. If that is to be the policy of this country, then the farmers must be protected from the impact of this large carry-over on the market. The most satisfactory way to provide that protection is through the use of high price supports coupled with adequate storage under supervision.

The American government appealed to the farmers to increase their production as a part of the general defense effort. This was most successfully done. It is just as important to have an adequate supply of farm products as it is to have an adequate supply of guns, tanks or anything else. The American people, I am sure, want to see that the farmer is not penalized because of his participation in such a program. He is in a far different position from that of the manufacturer of motor cars, for instance. The manufacturer can produce guns and tanks instead of motor cars. The tanks and guns, if not used, will not be in competition with his motor cars in peace time. But the farmer grows products which are used in peace time as well as in time of war. His production for war can bring ruin to him in peace time unless he has the protection which is the essence of a sound agricultural program.

There has been a good deal of talk among agricultural economists lately about flexible support prices. In practice, a flexible support price does not work equitably. The producers of one commodity will expect their commodity to have just as high a support price as anybody else. The resultant pressures by Congress will be the ultimate determinant of the support levels. A far better way is to have a set price support applicable alike to all producers of storable agricultural commodities who participate in the program by maintaining acreage allotments. This will protect the government against an excessive supply. It works well. It is understood and welcomed by the farmers.

Farmers, like everyone else, would like to produce all they can and get a high price for their products. With one exception, whenever they had an opportunity to vote on the question of marketing quotas they overwhelmingly indorsed the farm program. The lone exception was a referendum held on tobacco. Tobacco farmers decided against acreage allotments because they were told they could get satisfactory prices in the open market for all they could produce. Unfortunately, they found this was not the case. When the time came to sell their crops, the governors of the respective states closed the markets because the prices were too low. Referendums were held to correct the situation and it has been necessary to have these allotments most of the time since then.

Many agricultural economists have suggested that a farmer can change his production from one crop to another in line with his estimate of the market. That is possible in some cases but it will never work out in the long run because farmers cannot keep on buying and selling machinery adapted to the different crops. The investment is too great. Then again in many sections the weather and the rainfall make a change impossible. These theories should always be examined from the standpoint of how they actually apply on the farm.

The great flexibility in the feed grain areas has been through marketing these feed grains with livestock. A farmer can and will change from hogs to cattle or sheep, for example.

In order for a farm program to be effective and to be popular with the farmers, it must be administered by farmers. When acreage allotments are decided upon, only farmers who have been elected by the other farmers can perform that service. Acreage allotments are also an essential tool to be used in balancing soil-depleting and soil-conserving crops. This provides a practical and effective way to get real soil conservation so necessary to a sustained, efficient agriculture.

The history of agriculture is not an altogether pleasant one. Generally speaking, farmers have gone into a new section of the country, opened it up, built roads, schools and churches. Too often they have then realized that as individuals they could not adjust their production to the effective demand in the market and they have lost their fair share of the national income. Farmers in America today have many advantages through farm organizations, splendid agricultural colleges and the Department of Agriculture, and they should be able to succeed where farmers in the past have failed.

It is in the best interest of the entire country to have a prosperous agricultural population. That is a goal towards which all of us should work.