The Issues in Farm Price Supports

Conflict Revived

At what level and on how many farm products will the Government assume responsibility for supporting prices? In recent weeks this question involving the politics and economics of agriculture is back in the headlines. The Agricultural Act of 1948, passed in the closing days of the last regular session of the 80th Congress and reviewed in the September issue of Business Conditions, was generally accepted prior to the November election as the answer to this important question for the years immediately ahead. Recent public statements by U. S. Department of Agriculture officials indicate a willingness, however, to reconsider the price support provisions of the 1948 Act with a view to increasing the responsibility of the Federal Government in this area. These developments appear to indicate a change in view from that commonly attributed to the Department of Agriculture during the past several years.

The present program of agricultural price supports developed historically through a series of legislative actions, commonly with the backing, or at the insistence, of farm organizations, which progressively reduced the area within which the Secretary of Agriculture could exercise discretion in determining the minimum levels at which supports could be set. In general, the wisdom of such actions was questioned by USDA officials.

Now, however, this position of the Agriculture Department apparently has been reversed. The Agricultural Act of 1948 provided that beginning with 1950 crops and production there was to be a relatively wide range in the level at which prices of individual commodities would be supported (from 60 to 90 per cent of parity), the level of supports depending largely on supply conditions but with current levels of support at 90 per cent of parity generally being the ceiling. In addition to this the parity formula was to be "modernized" to reflect more current cost and demand conditions. These provisions of the Act were supported by all the major general farm organizations, by top officials of the Department of Agriculture, and, in principal, by the President.

HIGHER SUPPORTS INVITED

Speeches and statements of Department of Agriculture officials in recent weeks, however, appear to be an invitation to farmers to seek legislation providing higher and more rigid levels of price support than are provided for in the 1948 Act. The Secretary of Agriculture has indicated a willingness to lend his support to bring about "stronger" (higher) price supports. In fact he even went further and said, "I consider it my job to help obtain and maintain parity at all times." Another Department official has stated publicly that it is his opinion that reducing price supports would be an undesirable way to adjust excess production, also, that it could operate to discourage soil conservation.

Perhaps nothing explains this shift in position quite as much as some very intriguing aspects of the recent national elections. There has been some tendency to ascribe the victory of the Democratic party to the activities of politically organized "labor" groups. While this manifestation of our political democracy was no doubt a very important factor in the over-all Democratic success, analysis of the vote by states suggests that labor's political efforts are much more to be credited with the election of Democratic senators and congressmen than with the victory of the President.

With a close vote in many states where the electoral votes were much desired prizes, the farm vote played a vital, if not indeed a decisive, role. In some important farm states the electoral votes that went to President Truman can be credited to the rural vote which tipped the scales. This was true of Iowa, Ohio, Wisconsin, Illinois, and Missouri—all states in which the margin of votes for Mr. Truman in the industrial areas (presumably the labor vote) was smaller than that polled by Mr. Roosevelt in 1944, while the net vote in rural areas won by Mr. Truman was larger than the 1944 returns for Mr. Roosevelt.

Secretary of Agriculture Brannan in his speech to the American Farm Bureau convention in December ascribed the rural support for the Democratic slate to four factors. These were: (1) failure of the 80th Congress to ratify the Commodity Credit Corporation charter on the ownership or leasing of storage facilities; (3) the demand for Mr. Roosevelt in 1944, while the net vote in rural areas won by Mr. Truman was larger than the 1944 returns for Mr. Roosevelt.

A factor in the revived controversy over price supports is the decline of more than 10 per cent in the farm price level since mid-July. While farmers themselves have been saying for months that the recent high prices could not be expected to last long, the actual arrival of the declines has touched off a somewhat panic mood in some farm quarters. Secretary Brannan in his Farm Bureau speech said he did not believe that the economy "has to" adjust downward from current high levels, and indicated that if contraction or downward adjustment does come, "we are not going to start it with the farmer. . .if it doesn't start with the farmer it may not get started at all." He also expressed the view that a stable farm price and income level would go a long way toward stabilizing the economy.

(Continued on Page Eight)
1948 in Review—Some 1949 Prospects

Spreading Buyers Markets Expected

Did the postwar boom reach its peak in 1948? During the past 12 months, allowing for seasonal factors, sustained upward movement appears to have halted in many key economic measures, e.g., commodity prices, consumer prices, industrial production, manufacturing employment, new residential building "starts," cash farm income, expenditures by manufacturing firms for new plant and equipment, railroad carloadings, and department store sales. New all-time records, however, seemingly were still being set at the close of 1948 in such other measures as gross national product, personal income, corporate profits, and most forms of credit.

The evidence at hand does not permit a final answer to the question posed at the outset. But, there is reason nevertheless to believe that 1948 witnessed at least the beginnings of a general leveling in business and employment.

Despite growing indications of weakness in specific lines as abnormal "sellers markets" shift—often abruptly—to more normal buyers markets, over-all prospects for 1949 continue favorable. The outlook for the new year now seems most appropriately phrased in terms of a broad "sidewise" movement, with most general measures of business likely to remain fairly close to their current levels during much, if not all, of the year.

Since some slackening in the upward pace of private spending now seems to be under way, the level of general business activity in the Seventh Federal Reserve District and the nation this year should be influenced primarily by: (1) the magnitude of government—Federal, state, and local—expenditures, and (2) business expectations and closely linked spending plans. Stepped-up government outlays for defense, overseas aid, public buildings, highways, and related purposes—depending upon timing—could readily offset weaknesses developing from declining business and consumer demand. Moreover, new and continued overlapping of public and private requirements for certain types of manpower and materials could easily bring further upward price pressures.

Business expectations as to profits and sales have experienced numerous broad swings since the end of the war. In recent months the pendulum has veered toward the "uncertain," "pessimistic," or "wait and see" side. The action of the new Congress on tax matters in particular promises to have a crucial bearing upon business planning, especially by large organizations, during 1949. While the general level of business during the first half of the year is likely to be influenced more by plans already made than by current decisions, any widespread changes in expectations during coming weeks will be reflected in aggregate sales and employment developments in the second half.

The seasonal "let-down" during the early months of the year, largely absent during the war and 1946-47, probably will be more pronounced in 1949. The after-Christmas lull in consumer buying, the need to make substantial tax payments, weather conditions, and many similar factors promise to play their part in firmly re-establishing this well-known prewar seasonal pattern—unless inventory liquidation continues to stimulate sales.

To what extent can a seasonal upturn or revival be expected by spring or early summer? If business managers continue to make readjustments line by line without panic to "new normal" selling conditions dictated by price-quality conscious buyers, and unexpected adverse developments do not offer new discouragements to business plans, the possibility of a new "wave" of optimism in the business community by midyear would seem good.

NEW RECORDS SET IN 1948

Despite pessimism in some quarters at the outset of 1948, many new all-time records were established in business and employment. Belief that the much heralded "postwar recession" would set in during the year was rooted largely in the expected adverse impact of many developments continuing to appear on the business scene, e.g., rising consumer resistance to "high" prices, disappearing backlogs of demand, threatening burdensome agricultural output, and falling exports.

Hindsight clearly shows that the economy had much more strength than was generally anticipated, not merely...
because of stepped-up planned and actual expenditures by government, but primarily because private outlays continued to climb—contributing to, as well as reflecting, full employment conditions and powerful inflationary forces. The persistent caution which generally permeated the investment and business community during the year, however, again helped immeasurably to keep the boom conditions from becoming more unmanageable.

Although cushioned somewhat more than certain other sections of the nation to spreading business readjustments because of its concentration of “scarce” goods manufactures, the Seventh District business in 1948 nevertheless was a part of, and influenced by, all of the principal economic and political developments which attracted national attention. These included: (1) the sharp drop in farm commodity prices, (2) falling exports, (3) third round wage increases and initiation of fourth round demands, (4) support of the Government bond market and heavy Federal Reserve purchases from non-banking institutional investors, (5) rising short-term interest rates, (6) war scare and defense program, (7) record grain crops, (8) basing point price decisions, (9) continuing shortages of several critical materials, e.g., steel and cement, (10) higher member bank reserve requirements, (11) reimposition of consumer credit regulation, (12) growing scarcity of equity funds and mortgage credit, (13) post-election uncertainty and attendant sharp decline in security market prices, (14) leveling to slightly declining consumer prices, and (15) lagging Christmas sales, which finally surged upward to establish new dollar records for many stores, and helped to restore confidence in future business conditions.

The year 1948 will be remembered generally as the one in which the broad shift from abnormal war and postwar demand to more “normal” buyers markets became evident. To many people 1948 was another year of “postwar recession” which did not materialize. Numerous individual lines, however, did experience considerable “slump” or even “depression”—in the words of their own spokesmen. In 1949 “selling” should become more difficult and “buying” much easier—for those who can afford to pay the prices asked.

On the supply side, the year just ended, taken as a whole, created new records in virtually every business measure, although during the closing months in certain cases some declines were evident. In both the Seventh District and the nation more people were employed, more goods produced, more income received, more funds spent, and greater profits made by business and distributed to investors than in any previous year. Prices, both at wholesale and retail, reached all-time highs, indicating the continued strength on the demand side, and caused dollar measures to advance more than comparable physical indexes.

For the nation as a whole, industrial production advanced about three per cent above 1947, and the Seventh District gain is estimated to have been at least as large. This District was particularly favored because of the strong demand for the products of many of its principal industries, i.e., automobiles, steel, petroleum, farm and construction machinery, and heavy electrical equipment.

Advances in production were somewhat greater than the rise in number of persons employed, indicating a trend toward greater output per worker. Over-all employment in both the nation and the District advanced roughly two per cent during 1948. Nationally the increases occurred in manufacturing and construction, whereas in this District new workers were added chiefly in the trade and service fields.

Principally because of the above-average proportion of workers in strongly unionized and high wage metal working industries, factory employees weekly earnings in 1948 in the Seventh District of $59 continued above the national level of $54. Aggregate personal income in the District is estimated to have exceeded 35 billion dollars during the year, an increase of about 10 per cent over 1947.

Consumer prices in the Seventh District are now about four per cent above a year ago compared with a three per cent gain generally. The principal price rises during the year occurred in clothing, fuel, and in the miscellaneous group, with the over-all slight decline in cost of living since mid-1948 attributable almost exclusively to lowered food prices.

Seventh District construction activity continued at a high pace throughout 1948, roughly 30 per cent above the previous year in dollar terms. The District, however, lagged behind the 45 per cent increase for the nation, no doubt because of the feverish building boom in several other regions.

Consumer buying patterns in 1948 reflected the continued further shift toward more essential goods and services, from nondurables to durables, and generally to lower priced lines becoming more readily available. While total 1948 sales were ahead of 1947, during the closing months of the year there was a definite narrowing of gains over the year-ago level. Evidence of at least partial

![Chart 2: Selected Measures Showing Leveling Tendencies](http://fraser.stlouisfed.org/)
market saturation at prevailing prices for many goods and particularly appliances also continued to grow. Consumers showed a distinct willingness to spend when confronted with goods and services having price-quality attractiveness, and also a readiness to use credit extensively.

Lack of credit posed few problems for most business managements and consumers during the past year, although funds generally were less readily available than during the previous year. Seemingly, credit tightening was greater in the Seventh District than elsewhere. The principal field in which credit restraint had a noticeable effect upon business operations was in real estate. This appeared to reflect a general feeling among many mortgage lenders that present real estate values are dangerously inflated, and that mortgages commonly are much less attractive than alternative investments which have shorter maturities and often higher yields. Bank loans to business closed the year at an all-time high, but the Seventh District 1947-48 increase of one per cent was considerably under the national rise of five per cent for weekly reporting banks. Reintroduction of consumer credit regulation in September was followed by some slowing in the rate of increase in this type of credit, but new all-time records continue to be set.

**EVALUATING THE OUTLOOK**

Whether 1949 will be a “good” year will depend not alone upon the general course of business, but also upon the position and viewpoint of whoever makes the judgment. As already indicated, 1948 was an unprecedented year of peacetime prosperity, by virtually all accepted measures—yet not all lines nor individuals fared as well—they never have—as the average.

The underlying conviction that present business and employment levels are unduly and artificially high unquestionably permeates much of the business community in this District and elsewhere. Almost any sign of apparent weakness, including return to prewar seasonal buying patterns, understandably raises grave concern about the imminence of a sharp downturn, and indeed in particular fields this has occurred. In most business circles a “sidewise” movement is interpreted as standing still, and the forerunner of trouble, for seemingly either there must be expansion or contraction. In many respects general business moved “sidewise” in 1948, and there is reason to expect a continued rough over-all balance of forces of inflation and deflation for some months. Consequently, business expectations—which play a key role in determining the level of aggregate investment and employment—may well remain clouded and uncertain for some time to come. Definite indication of policies of the 81st Congress and either more strong inflation or general recession apparently would “clear the air” for many people.

It is not surprising under these circumstances to find that forecasts of 1949 business currently run the gamut from continuing inflation to substantial recession. On the one hand, there is the strong possibility of larger defense and other Government expenditures, raising the threat of further resource allocations and perhaps price and other controls as well. On the other hand, virtually all the “signals” handed down from the past indicating a business reaction just ahead have been flashing for months.

Actually too little is known about the operations of any economy with a gross national product of over 250 billion dollars for anyone to say with certainty how vulnerable or secure the present over-all business situation may be. Most detailed studies of the structure and workings of the national economic system relate to the past when the tempo was slower and many prominent political and economic forces now operating were absent. Moreover, a basic question might be raised whether present national economic policy points to further increase in civilian living standards as well as full provision for defense, without the latter making serious inroads upon the former as in the past.

Whether there will be more inflation or a general recession, or some offsetting middle-ground development in 1949 will depend largely upon the direction, timing, and extent of movement in the following key factors: (1) private investment and demand, (2) government expenditures, (3) wage rates, (4) credit extension, and (5) agricultural output. In addition, allowance also must be made for any of a number of possible developments which, on the one hand, might aggravate present or create new shortages, or which, on the other hand, might serve to “shock” business and consumer expectations. Neither appreciably more inflation nor sharp recession now appears as probable, in any all-inclusive sense, as a combination of many offsetting features of both developments.

There can be no question but that the inflationary tempo of the postwar years has slowed down significantly, but many strength factors and political and institutional “supports” seem likely to persist and cannot be ignored. Preliminary reports of intentions point to continued high private investment during at least the first half of 1949, and the President’s messages and the announcements of state and local government leaders give every indication of a marked rise in government investment. Consumer response to attractively offered goods and services during and since the Christmas buying period suggests heavy sales for the products of manufacturers who can give consumers what they want at prices they can afford to pay. A late Easter such as in 1949 typically means better-than-average retail sales. These and numerous other considerations seem to indicate that a good deal of strength still underlies the general business situation in the immediate future, serving to offset at least a substantial part of the spreading weaknesses now so clearly noticeable in many fields.

Careful attention to the level and nature of Government expenditures and the course of business expectations, particularly with respect to new capital equipment outlays, appears to provide the earliest possible insight into what actually will happen. To date, readjustments in business have been severe for some, but healthy for the nation generally.
Department Store Readjustments in 1948

Sales and Stocks Highest on Record

A return to more nearly prewar retailing patterns at department stores is strongly indicated by the 1948 trend of leveling sales, heavier inventories, expanding credit, slower collections, and lighter outstanding orders for goods. Competition for the consumer dollar is here again. Promotional sales are becoming more frequent. Buyers are shopping once more for the best possible price-quality combination in merchandise—even with unprecedented disposable incomes.

Notwithstanding the sales decline in November and early December 1948 from corresponding levels of the year previous, dollar sales reached an all-time high of 1,956 million at department stores in the Seventh District. This marked the ninth consecutive annual record and the tenth continuous yearly rise in department store sales. The year's sales volume also culminated the largest five-year expansion in recorded Seventh District department store statistics, as it was only in 1943 that sales for the first time topped the one billion dollar level.

Although 1948 cumulative sales monthly have averaged from 10 to seven per cent above the year-ago volume, there were some indications of downturns from time to time. In each successive quarter of 1948, there was further evidence of readjustment in department store sales to more normal seasonal buying practices.

The first quarter, marked by rapid price advances, saw sales rise 10 per cent above the level of the same quarter of 1947. Some of this gain can be attributed to the traditional white goods sales held on a large scale for the first time since the end of the war and to an early Easter season. At the half year mark, gains over a year ago had narrowed to eight per cent, influenced by a later Easter in 1947 but counterbalanced by the renewed confidence in business arising from the Marshall Plan, the new defense program, and lower personal income taxes. The same events carried total sales through the third quarter despite weaknesses in hard goods lines. Sales in the final quarter were marked by an early lull in Christmas spending at department stores. This slight slowdown in sales caused some concern, and was attributed to a return to prewar patterns of Christmas shopping, delayed buying for lower prices, unseasonable weather, new instalment credit regulations, and post-election reaction by higher income groups.

To a great extent, increased dollar, not physical, volume sustained sales during 1948. A comparison of sales and price movements emphasizes this, as do the stocks-sales ratios in selected departments.

SHIFT IN DEPARTMENTAL PATTERN

Consumer resistance to higher prices occasioned by increased cost of food and housing strengthened sales in economy store goods. In fact, basement totals advanced at nearly twice as fast a rate as did main store sales.

Of the main store departments, women's and misses' apparel sales increased by the widest margin during 1948, with style changes playing a major role in this increase. Some significance may be attached to the failure of household furnishing totals to keep pace with wearing apparel sales. Discouraging price increases and consumer belief that household goods were not of prewar quality or sufficiently improved to warrant purchase may have led to some postponement of the buying of housefurnishings, but not women's apparel. Contrary to year-ago trends, more sales activity was apparent in furniture and bedding than in major appliances and radios, records, musical instruments, and accessories. Men's clothing sales declined from year-ago levels as a result of high prices and a much lessened demand.

Further evidence that the era of less indiscriminate spending is over may be found in the changing pattern of sales by departments. Except for men's apparel, sections which sold goods of a more "practical" nature outsold those which featured the so-called luxury goods. The majority of housefurnishings sections, both hard-goods and

<table>
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<th>Year</th>
<th>Seventh District</th>
<th>Chicago</th>
<th>Detroit</th>
<th>Indianapolis</th>
<th>Milwaukee</th>
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<td>1945</td>
<td>1,294</td>
<td>372</td>
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<td>1946</td>
<td>1,676</td>
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<td>246</td>
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<td>1,844</td>
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<td>278</td>
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<tr>
<td>1948*</td>
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<td>540</td>
<td>297</td>
<td>100</td>
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*Preliminary.

NOTE: Estimates of the annual department store sales are based on the corresponding Indexes which are compiled and released currently by this Bank.
textiles, exhibited equal or higher totals than during 1947. Women's apparel groups reflected similar trends. Small wares and accessories on the other hand changed only slightly, and in some instances the goods sold in these sections were in much smaller volume then during the preceding year. Fur sales declined by the greatest margin, followed by records and sheet music, candy, negligees, fine jewelry, and luggage.

CREDIT INFLUENCES SALES

Credit sales undoubtedly also played an important part in boosting the total in 1948. Stores advertised for

CHART 2

DEPARTMENT STORE SALES BY MAJOR DIVISIONS
SEVENTH FEDERAL RESERVE DISTRICT
1941 — 100

NOTE: 1948 BASED ON FIRST ELEVEN MONTHS.

INVENTORIES IN CLOSER BALANCE

The accumulation of inventories during 1948 which reached the largest dollar volume on record in the Seventh District department stores, in general, has been moderate. Much of the increase has been a result of stockpiling as well as advancing prices. On the whole, the rise of stocks on hand has been slightly higher than the volume of sales, but not of sufficient magnitude to be considered excessive so long as sales are sustained at or near present levels. Postwar shortages of most goods have been overcome, but few goods seem to have been accumulated in undue amounts.

During February through November of 1948, the ratio of end-of-month stocks to sales during the month (number of months supply) remained above year-ago levels for the total of all departments and the merchandising divisions of men's and boys' wear, ready-to-wear accessories, and housefurnishings (May through November only). The yearly average stock-sales ratios for all merchandising divisions, however, were below the prewar 1941 ratios with the exception of women's and misses' apparel. In general, smaller stock-sales ratios are the rule in the Seventh District as the stores are within easy reach of most centers of supply.

The increasing availability of merchandise, better deliveries, more sources of supply, and greater conservatism on the part of store management have been factors in reducing the volume of outstanding orders of goods to levels substantially below those of 1946.

OUTLOOK FOR 1949

The consumer reaction to price and quality of merchandise at department stores will most likely be the dominant factor determining the trend of sales for 1949. The majority of retailers, however, are optimistic about the over-all sales level during coming months, although less so about particular items. With general income prospects favorably for the period immediately ahead, no sharp decline in sales appears imminent, although certain weak spots probably will develop.
Public Employment

Ten Per Cent of Labor Force on Government Payrolls

Slightly more than six million Americans, exclusive of the armed forces, are currently employed by the Federal, state, and local governments. In the boom year 1948 these jobs constituted between nine and 10 per cent of the 60-odd million persons in a labor force which in turn was about 40 per cent of a total population of 148 million.

For the last decade, the number of persons on the payrolls of all units of government has been comparatively stable in relative terms—between 12 and 15 per cent of nonagricultural employment. The use of nonagricultural employment instead of total employment is required for comparative purposes because of the lack of reliable data on the latter for years preceding 1940. The higher rates occurred in 1945 when Federal employment was at its peak and when private employment was low due to the manpower needs of the armed forces in the earlier part of the year and reconversion lay-offs in the latter.

Currently, public employment is relatively lower than at any time since 1938. This is due to the postwar shrinkage in Federal employment and the postwar expansion of private employment, and is in spite of the recent increase in state and local employment. In view of the absolute and relative magnitude of public employment, it is not surprising that its character and cost have been and probably will continue to be subjects on which major attention is focused. Much public attention has neglected one or more of the factors pertinent to the problem, including the distribution of employment among the various levels of government and among the services and agencies within each level, the character of the work performed by different classes of public employees, and the comparative compensation levels both within and among public jurisdictions.

EMPLOYMENT BY LEVELS OF GOVERNMENT

In October 1948 local governmental units accounted for one-half of total public employment (see Table 1). The Federal Government employed slightly more than one-third of the six million public employees, and the states had fewer than one million. The two largest components of the local government total were, respectively, school teachers and city employees. The inclusion of a large group of employees of such municipal enterprises as water, power, and transportation systems accounts in part for the size of city employment.

The relative positions of the levels of government with respect to employment are in contrast to their relative importance when measured by expenditure and taxation. Federal expenditures are more than twice as great. Although state employment is less than one-third of local employment, state expenditures are about half those of the local units, and state tax receipts are slightly greater than local.

These relations reflect the different character of the expenditures of the three levels of government. Grants to the states and transfer payments comprise a very large portion of Federal expenditures; this category includes direct payments to veterans, social insurance beneficiaries, and holders of the national debt. Payments to business for purchases of goods and services, which comprise another large portion of Federal expenditures, create private rather than government employment. Another large component of the Federal budget consists of payments to the 1.4 million members of the armed forces, who are not classified as public employees.

The three functions which consume most of the funds of state governments do not require large payrolls: highway construction is usually done by private contractors, whose employees are not included in the enumeration of public employment; most of the school money appropriated by the states appears as grants to the local governments; and welfare expenditures may also be grants to the local units—if not, they appear as direct payments to the pensionees.

The local governments are the major employing units because they operate the common school systems, own and manage a variety of utility enterprises, offer fire and police protection, and maintain a large part of the road and street systems.

Since 1940 Federal employment has almost doubled,
reflecting wartime expansion, while total state and local employment has increased less than 17 per cent. However, the accompanying chart indicates a marked upward trend in the state and local personnel since the end of the war.

EMPLOYMENT BY FUNCTION

From the standpoint of function, education in institutions of higher learning and elementary and secondary school systems accounts for one-fourth of total public employment. The 854,000 Federal civilian workers employed in connection with the military establishment, and in addition to the uniformed services, are the second largest functionally-defined group of public employees. The Federal postal service, with 488,000 persons, ranks third.

Almost 75 per cent of the Federal payroll is for functions which are generally regarded as of primary importance—defense, the postal service, and veterans affairs. The total payroll is approximately one-fifth of all Federal expenditures. If the payroll for all other Federal agencies were eliminated, the budget would be reduced by less than five per cent. The opportunities for major Governmental economies through reduction of employment must be realized, therefore, by reductions in personnel within the three principal functions.

EMPLOYMENT WITHIN THE DISTRICT

In general, the amount of public employment in Seventh District states correlates well with the population of the states (see Table 2). Exclusive of the relatively large number of Federal employees in Illinois, both per capita Federal and per capita state-local employment exhibit a narrow range within the District states. Iowa and Wisconsin, the states with the smaller populations, have the higher per capita figures for state-local employment. This is due in part to the relatively high level of school employment in Iowa, and to the large amount of municipal enterprise employment included in the local government total in Wisconsin. Because of the absence in the District of such large concentrations of Federal employment as exist in the District of Columbia, California, and New York, Federal employees constitute a smaller percentage of total government personnel in the Seventh District than they do in the nation as a whole. Furthermore, in the District states local govern-

competent units are more important, both numerically and functionally, than in many other states.

COMPETITIVE AND NON-COMPETITIVE POSITIONS

The personal services which governments buy not only cover a wide variety of skills and training but also are separable into other categories related to conditions of employment that are pertinent to public employment policy. Statistical comparisons in this sphere unfortunately are limited by the lack of detailed information breaking down employment totals in terms of character of work performed. A very large number of public employees, such as office workers and maintenance and building employees, perform services almost identical with those which they would perform for any other employer, public or private. An indication of the numerical importance of this group is the fact that non-supervisory clerical employees and maintenance employees, including janitors, firemen-oilers, operating engineers, and elevator operators, comprise more than one-fifth of the total employment of the jurisdictions which provide all local government services in Chicago. In many agencies of the Federal and state governments this type of employment is even more significant. The Bureau of Internal Revenue, with more than 50,000 employees, had at the beginning of 1948 over 23,000 clerical employees—over 40 per cent. The Interior Department, which has an exceptionally large amount of employment in the CPC (Crafts-Protective-Custodial) service classification, planned to have about 8,000 clerical employees, 13 per cent of the total employment of the Department, in mid-1948. In purchasing these services, a unit of government is but one among a large number of buyers, and in order to recruit a sufficient number of employees the price (salary) it offers must be roughly equivalent to the market price.

A second group of employees holds jobs that are more or less peculiar to the functions performed by governmental units. These are typified by teachers, policemen, firemen, and many classes of professional employees. This group is particularly important in local government

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<tr>
<td>Local</td>
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<tr>
<td>Other local</td>
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1Civilian employment only.
N.A.—Not available.

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<th>Table 2</th>
<th>Estimated Public Employment in Seventh District States, October 1948</th>
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</tr>
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</table>

The data for Chicago local governments are from the Civic Federation's Study, Salary Rate Structure of Local Governments of Chicago (November 1948); those for the Bureau of Internal Revenue are from Investigation of the Bureau of Internal Revenue, Report of Advisory Group, Pursuant to Public Law 147, 80th Congress; and those for the Interior Department are from Interior Department Appropriation Bill for 1948, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, First Session, Part 1, 80th Congress.
employment. The total demand, both public and private, for this type of services is limited, and there is often very imperfect knowledge of job opportunities elsewhere on the part of these employees. Moreover, residence requirements imposed by many local units limit mobility. In addition, the specialized nature of the skills acquired in and for these jobs by experience and training cannot be applied readily to positions in private employment. During the depression period the relative attractiveness of this type of public employment made it possible to attract exceptionally well-qualified employees. Present salary levels, accrued pension rights, and inertia have not been sufficient to retain many of these employees even though retraining and loss of position status are involved.

A third group comprises executive or management employees. Here again there is a large degree of direct competition for services with private industry buyers, and self-employment, which tends to raise the price of the services. However, usually governments have not met the bids of private industry and often have been content with an inferior grade of management services. This tendency has been mitigated by the fact that certain non-economic factors have increased the attractiveness of government service to the sellers of these services, the prospective top-level employees themselves. Thus, governments may be able to secure competent management employees at salaries somewhat less than those of private industry. This mitigating influence to some extent is effective in many lower echelons of public employment, and might make relatively lower salary levels possible in categories other than that of management employees.

**SALARY INCREASES IN PUBLIC EMPLOYMENT**

The maintenance of the relative economic positions of public employees through the salary increases granted since the end of the war is a facet of the whole problem of public employment about which there has been much discussion. In general, average monthly earnings of government employees have failed to keep pace with the rise since 1941 in the cost of living and in the earnings of workers in manufacturing industries.

In many governments, salary increases generally comparable to the postwar rounds of wage increases in private industry did occur, as the following average monthly earnings data show:

<table>
<thead>
<tr>
<th></th>
<th>April 1945</th>
<th>April 1946</th>
<th>April 1947</th>
<th>April 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>All governments</td>
<td>$169</td>
<td>$174</td>
<td>$193</td>
<td>$207</td>
</tr>
<tr>
<td>Federal</td>
<td>179</td>
<td>198</td>
<td>230</td>
<td>240</td>
</tr>
<tr>
<td>State and local</td>
<td>144</td>
<td>155</td>
<td>170</td>
<td>189</td>
</tr>
</tbody>
</table>

These adjustments usually have been the results of positive legislative action. The Federal Government, for example, granted substantial increases in the summers of 1945, 1946, and 1948. In most states, salary increases were last considered in the early months of 1947, when 44 legislatures met. The issue undoubtedly will be raised in the next few months, during which time these 44 legislatures again will be in session.

**THE ISSUES IN FARM PRICE SUPPORTS**

(Continued from Inside Front Cover)

In view of these developments it appears that the farm price support issue has been revived by the urgency of the above mentioned political and economic considerations, that some farm leaders have mounted their charges ready to do battle, but that as yet no clear-cut plan or strategy has been worked out that will meet the demands of the farmer and at the same time have sufficient rationality to prove acceptable or palatable to other interests in Congress and in the country.

There are, however, indications of current thinking about what the supports "should" be. The Production and Marketing Administration of the Department of Agriculture in December sponsored a national meeting of representatives of their state and county personnel who have handled many of the Federal agricultural programs in recent years at the state and county levels. These representatives presume to speak for three million farmers. At this meeting a Committee on Price Supports recommended that: (1) prices of the basic commodities wheat, corn, cotton, peanuts, rice, and tobacco be supported at not less than 90 per cent of parity, and that acreage allotments and marketing quotas be used to bring supply into balance with demand at the support price level; (2) provisions be made for mandatory 90 per cent support of prices for other agricultural commodities in which producers agree on and put into effect a plan for production or marketing controls or other techniques which would either limit production or dispose of surpluses which might occur; (3) price support at 75 per cent of parity on agricultural commodities for which producers make an effort to develop a program which would control supplies or provide for surplus disposal; and (4) that for all other agricultural commodities price support be determined by the Secretary.

This represents a substantial change of view since April 1948, when a committee from this same group recommended mandatory price support at from 75 to 90 per cent of parity for basic commodities, and from 60 to 90 per cent of parity for other farm products but with the support being the same as for the basic commodities for any product which producers had developed an effective program of acreage allotments and marketing quotas or other techniques for effectively controlling production or marketing.

**FEAR CONSEQUENCES OF HIGH LEVEL SUPPORTS**

It may be assumed that farmers, not unlike other occupational groups, desire as high and stable a level of income as can be attained. Why, then, did the major farm organizations support enactment of the flexible price support provisions of the 1948 Act knowing full well that these provisions would reduce from present levels the average at which prices of most products would be supported over a period of years? While many factors influenced this decision, the outstanding consideration, no doubt, was the realization that high and rigid support prices would induce production of surpluses, and these
surpluses would unavoidably result in acreage allotments, marketing quotas, penalties, and extensive direct Government control of agricultural production, processing, and distribution—a degree of regimentation that alarms many farmers and farm leaders.

There was opposition, of course, to the authorization of price supports below wartime levels, centered for the most part among farmers of the southern states, notably producers of cotton, tobacco, and peanuts. Producers of these commodities, or at least their leaders, apparently have decided that they want prices supported at high and stable levels even though it does require extensive Government control over production and marketing.

Tobacco interests, in fact, obtained special consideration in the 1948 Act by obtaining adoption of an amendment providing for support of tobacco prices at 90 per cent of parity for any crop for which marketing quotas were in effect. Some producers of specialty fruit, vegetable, and nut crops, located largely in the eastern and western states, desired more specific price support provisions for their products than were provided in the 1948 Act. These commodity interests are expected to spearhead a drive on the new Congress for revision of the 1948 legislation—the southern groups seeking high and rigid price support and the specialty crops groups seeking some provision for mandatory price support for their products. This drive appears now to be invited by Department of Agriculture officials.

Senator Thomas from Oklahoma and Representative Cooley from North Carolina, who are slated to become Chairmen of Senate and House Agriculture Committees in the new Congress, have stated their opposition to the flexible price support provisions of the 1948 Act on the ground that it “gives farmers least protection when they need it most.” Senator Thomas has declared his intentions to lead a fight to keep the mandatory 90 per cent price support program in effect after 1949 even if it means returning to crop production controls.

Views on the other side of the price support issue have also been expressed in high places. Senator Aiken, co-author of the Agricultural Act of 1948, in speaking to the annual Farm Bureau meeting said that the choice to be made was between the rigid support road to regimentation and the flexible price support road to free enterprise. He indicated his belief that the national economy may stand or fall on the outcome of this issue. He also warned that consumer reaction to rigid, high level supports might jeopardize all price support programs.

Corn Belt farmers and the dairy and poultry producers of the northeastern states probably will resist efforts for a continuation in peacetime of the wartime-production incentive level of 90 per cent price supports. Most of the production of Corn Belt farms is marketed in the form of livestock products on which price support programs have been relatively unimportant or little used. Also, production control programs of the type which have been employed in the past are relatively inflexible and not well adapted to feed-crop-livestock farms. Livestock and poultry producers in feed-deficit areas such as the Northeast understandably object to a high level of price support for the feed grains which they must purchase from surplus grain areas. Farmers in these areas apparently are more inclined to view the price support program as a mechanism to protect them from disastrously low farm product prices and bankruptcy rather than a guaranteed market at a profitable price level. One prominent veteran farm leader has advocated and encouraged development of a program which would emphasize using crop capacity to expand the production and consumption of livestock products and which presumably would avoid the need for price support and production control for all feed crops. Plans of this kind, designed to stimulate demand and use, have certainly the merits of being constructive as to use of resources, although they too are relatively untried and may have more definite limitations on their effectiveness in “solving” farm problems than their most enthusiastic proponents recognize.

**ISSUES WILL BE DEBATED, OUTCOME UNCERTAIN**

These differences in point of view and in evaluation of the consequences to individual farmers, agriculture, and the whole economy appear to be shaping up for vigorous debate in the 81st Congress. The probable outcome cannot be indicated with any degree of certainty at this time. If changes are made, however, they probably will be in the direction of (1) higher and less flexible support prices than are provided for in the 1948 Act, (2) mandatory support prices for more products than are now covered, (3) provision for more complete Governmental control over production and distribution of commodities for which prices are supported, (4) increased storage capacity and larger carry-over stocks for commodities which can be stored for relatively long periods of time, and (5) provision for subsidizing the consumption of products brought into surplus supply by the higher support price level. All of these points, except for the higher levels of price support, were recommended to the 80th Congress by the Department of Agriculture. It appears now that the Department, taking a relatively favorable view of the longer-term economic outlook, is willing to be committed to the support of farm product prices at relatively high levels if it is provided with additional authority to control production and consumption.

But these developments are genuinely upsetting to many close students of the agricultural economy and to many sincere friends of the farmer who have worked and hoped for programs that they believe would in the long-run be to the best interests of not only agriculture but the entire economy. When the Agricultural Act of 1948 was passed, it was generally regarded as a step toward a more rational peacetime program for agriculture, even though it was recognized that there were flaws and weaknesses in the legislation that time might expose and experience might correct. Whether the current wave of agitation for high and inflexible price supports will keep the major long-run features of the 1948 Act from going into effect and being tested in practice only future developments will reveal.