WHAT WE HAVE LEARNED IN 15 YEARS OF FARM PROGRAMS

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The over-all theme of this Institute - "What Price Plenty?" - is an inspiring one, but before getting on with my part in it, let me record serious misgivings as to my particular subject. For I'm not sure that we've learned anything from 15 years of farm programs. It seems to me there is much evidence to the contrary, but I hasten to acknowledge that lack of close familiarity with some of the programs of recent years, and perhaps the growth of elderly caution may raise question as to the validity of my opinions.

The first task is to define terms. The program committee obviously wanted to open the Institute with a review of the attempts that have been made since 1933 to relieve farm distress, support farm prices and income, and assist agriculture to make adjustments required by changing conditions at home and abroad. But that is only part of the story. In other areas than this, agriculture has learned a great deal in the last 15 years. Then, too, it is impossible to consider farm programs by themselves, the way you might fence off and cultivate a field. All of our interests are interwoven in a tight, complicated, fast-moving economy. In the long run, conditions under which farmers raise and market their crops may be more seriously affected by developments entirely outside of agriculture than by what happens in their own field.

In the 1940 Yearbook of Agriculture I attempted to trace the development of agricultural policy since World War I, and took 30 pages for it. There is neither time nor reason for attempting it here. That chapter closed with the observation that if experience in this field teaches us anything of value, it is that a continuous thread runs through the evolution of an agricultural policy notwithstanding the manifest inconsistencies and contradictions that appear in it.

Perhaps that is true, though I am less sure of it today. Some of the current farm programs and commitments, and particularly some of the proposals for tomorrow, leave me in the fix of the young Scandinavian who, becoming rich, commissioned a famous painter to do a portrait of his deceased father, with nothing to go on but the young man's description. At the unveiling, the son looked at the portrait from this side and that, and finally said, "Yes, that's him. That's the old geezer, all right. But, my goodness, how he's changed!"

From the Agricultural Adjustment Act of 1933 to now emphasis has steadily shifted from adjustment to price-fixing by law. I think that is leading us down the wrong track.

The major programs of the early AAA were set up to be self-financing. Throughout the 'twenties and early 'thirties, farm organizations, particularly of the North and West, insisted on that. Since 1936 the shift, of course, has been toward more and larger appropriations from the Treasury, a part of growing fiscal irresponsibility I'm going to talk about later.

We have lost ground in cohesion among farm forces in planning and administering the farm programs compared with the situation we had throughout most of the 'thirties. Perhaps a certain amount of splitting up in opposing schools of thought was inevitable, but I am sure that most of us who have worked in agriculture in the past hate to see it.

There is no truth-divining-rod or universally accepted standard that can be laid across programs of today or proposals for the future to determine with finality which features square with the lessons of experience, which do not. It is rather a matter of opinion and judgment and I can express only my own, not that of any group or organization.

This is not a suitable forum for splitting hairs or fussing over details, nor for a play-by-play recital of developments that are now history.

What I aim to do before giving way to the heavy artillery - or should I say the gladiators - who are on this Institute program, is to make some general observations, first about specific features of our farm programs, and finally about the pattern of public policy that appears to be emerging in this country, of which projected farm programs seem to be a part.

In the first category are the overemphasis and the increasing reliance on government price supports in post-war farm legislation. We should have learned by now that the bare enactment of a law doesn't make price supports effective at the prescribed level. The prices have to be worked out by shirtsleeve operations on the farm, in the warehouse or in the marketplace. For storable commodities there is a honeymoon period while government stocks are being built up by purchases or nonrecourse loans, until the load approaches its limits. After that, prices have to adjust in one way or another to the level at which the commodity will be consumed, unless war or some other catastrophe comes along to bail us out.

We cannot expect to adjust from one, let alone two wars of world-wide scope and incalculable destructiveness without paying some penalties. Government price supports and high level government loans can help cushion the shock but they cannot and should not be expected to avert the adjustments that need to be made. We are living in a fool's paradise if we think otherwise. A system of rigid, legislated price supports extended indefinitely into the future and at levels higher than the over-all supply-demand situation will support, will have extremely undesirable consequences, including a great deal of harm to farmers themselves. There is a place, particularly through the transition period from which we have by no means emerged, for reasonable price supports, free from legislated requirements that prevent intelligent administration. But we cannot expect to ride them painlessly over the rough roads that still have to be traveled. Supports at war-time levels will lead in the all-too-soon future to tight acreage control, impossible-to-manage farm surpluses, and eventual price collapse. It does

no good to lull us to sleep in 1950 if in so doing you insure we will have something worse than a headache when we wake up in 1952 or 1953 or 1954.

Next, I have the feeling that current programs of high price and income supports tend to freeze production patterns, to de-emphasize adjustment as a goal of agricultural policy. One of the most important long-range factors at work on the farmer's side is the spectacular increase in our population at a rate that has made expert population forecasts of a few years back look as foolish as the election forecasts of October 1948 look now. By midsummer this year we will have doubled the nation's population in 50 years - from 76 million in 1900 to 152 million. We may be coming in sight of the time when rising living standards combined with population growth will put pressure on our ability to expand and maintain the needed production of milk and meat. I believe present farm programs fall short in encouragement to shifts that need to be made in land use to fit the demand pattern of tomorrow.

Now a word about our export commodities. As I look out at the world picture and the longer-range farm situation I see many signs which remind me of the 'twenties and the 'thirties. I catch myself saying, "I've seen that; here's where we came in." In the 'twenties we faced real troubles with our major commodities when the United States stopped lending abroad to finance our exports and when our foreign customers ran out of dollars. The first war changed us from a debtor to a creditor nation, and before we had adjusted our thinking and our ways we entered the second World War which immeasurably accentuated the change. Adjustments are still ahead of us and they will be particularly severe in the wheat and cotton areas. They will face us as soon as we quit sending out the dollars with which to pay for our exports. Our post-war farm programs do not recognize that fact, right down to and including the Agricultural Act of 1949.

We have unquestionably gained ground in techniques of production, in increased use of capital per worker in the form of more efficient machines, better plant and animal strains, fertilization, etc. We have also made distinct progress in dissemination of "know-how" in use of land and water to conserve the soil and increase and safeguard its future productivity. Even here a lot of effectiveness is lost through inter-agency duplication, friction and even downright conflict. The farmers have a right to better cooperation that that among the agencies created to serve them. And notwithstanding the growth of technical understanding in this field, the pressure of war-time prices has led wide areas to disregard the warnings of the past, and so set the stage for the dust bowls of the future.

One of the bright sides of the farm picture is the prudent way farmers throughout the 'forties managed their war-time and post-war income. On the whole they chose to reduce debt rather than increase it as happened in the first World War. Public and private farm credit agencies helped. But the lessons of the last 15 years teach us the need of some new techniques in farm credit, particularly to help finance long-term programs of farm improvements for better land use and conservation. Traditional short-term production loans won't do the job that needs to be done on a big scale throughout the United States.

A glance at your program for tomorrow will tell you why I do not discuss in greater detail the changes in our agricultural legislation advocated by the Secretary of Agriculture. It will be the subject of thorough debate then, but perhaps one or two observations are in order here to give you the direction of my thinking.

I do not agree with the idea that the government can or should guarantee price supports fixed at a level that will yield farmers in the aggregate a cash income from marketings equal in purchasing power to the

average cash income from marketings in the decade 1938-48, and year by year thereafter maintain a level equal to the average of the first 10 of the preceding 12 years. It just can't be done, and that promise along with the implied promise of low-priced food for consumers is the fundamental weakness in the Brannan plan.

I didn't like the idea of general food subsidies during the war, and I like them less now. There's no good reason why non-agricultural workers can't and shouldn't produce enough goods and services to pay for agriculture's production without help from the Treasury. Action to improve the diet of low income families is quite another thing. That may be good national policy, but it isn't a farm program and shouldn't be called one. School lunches are social programs, not farm programs, and so in fact was the Food Stamp plan.

But on the other hand, the device of carrying out government price guarantees under certain conditions by the use of supplemental payments makes sense to me, if they are geared to moderate, attainable goals, and used with great restraint. If we are going to continue price supports on perishable commodities like potatoes and eggs, there isn't any other socially-acceptable way to make them effective. As a matter of fact, supplemental payments were used with cotton in 1935 when the only alternative was a price-fixing loan at or above the market. I think it worked rather well; exports picked up, and the crop moved into consumption. The loudest complaints came from interests that were "long" in the cotton market.

I feel compelled to qualify that approval with a sober warning - don't let anyone tell you there is magic in this device by which to insure high war-time income to farmers on the one hand and cheap food to consumers on the other. The idea may have political sex appeal, but it won't work that well.

Now I want to comment on something I have observed through the years which, if understood, would surprise a lot of people in the cities.

The most far-reaching and in an economic sense the most dangerously ambitious legislative proposals for agriculture are not those advanced by responsible farmers or farm organizations but by men who are honestly - and understandably - interested in farm votes. A well-meaning committee chairman may put the farm leaders on the spot by pushing a bill that promises the unattainable, but a farm leader frequently risks his official life if he opposes it. We must look with sympathy on the fix of the Congressmen who are up for election every other year. If given a choice they tend to vote for the bill which on the face of it promises the highest support prices in their part of the country. The senators are a little better off. Their election comes every six years. The easy way out may seem to be merely to extend the war-time guaranties year-by-year, but sooner or later it will lead us out over our heads.

Before I drop the subject of price supports, I'll stick my head up over the breastworks to be shot at. I am convinced that if we had followed the lessons of the last 15 years - let's make it 25 years - we would have stuck to the long-range provisions of the Agricultural Act of 1948. It impressed me as an attempt to apply experience to present-day problems. No doubt changes were needed, but in the main those long-range provisions would have relieved the government of the impossible task of maintaining war-time prices in the face of mounting surpluses. They would have introduced administrative flexibility where rigidities still prevail.

Now that I have probably succeeded in ruffling some feelings on the subject of price supports and agricultural adjustment, I should like to turn for the rest of my talk to the pattern of public policy we seem to be following in this country which is more important to agriculture, in the long run, than the shorter-range questions I have touched on.

I mean the growing dependence on government for direction and aid, and its twin, fiscal irresponsibility inside and outside of government. Fiscal year 1949 was one of high income and employment and it closed with $1.8 billions deficit. The government estimates $5.5 billions deficit this year and $5.1 billions for fiscal '51 with continuation of high-level economic activity assumed. We are nearing the time when billions in savings bonds will mature, with no assurance that holders will reinvest their savings in government bonds. I doubt if they will if they once get the idea that creeping inflation, continued whittling away of the dollar's buying power, are ahead of us. If the public doesn't take the bonds, the alternative will be more deficit financing at banks, more money not matched by production.

Thinking perhaps I might have a distorted view of the post-war drift, I wrote a friend and told him I was considering starting my talk here today on the question, "What we have learned", with the answer: "Nothing!", and then proceed with qualifications and explanations much as I have done. You all know the man - he has held positions of high responsibility in nation and state, for years in the Department of Agriculture. He replied the other day, and this is what he said in part:

> "The only amendment I would make to your answer to the question 'What we have Learned in 15 Years of Farm Programs' is that I would say 'less than nothing.' In the current year agricultural prices are still averaging about parity, yet the appropriations proposed for agriculture are $2½ billions, plus additional borrowing authority. This is fantastic. We are, I fear, on the verge of losing all the values we have been working for, and the greatest single threat is a loose or reckless fiscal policy."

That is the background for a solemn warning. It will be nothing less than national disaster if the farmers join other groups who are saying in effect: "We can have prosperity, regardless of anything else, if the government will back us and put up the money." It will also be a disaster if the full weight of farm opinion is not clearly and continuously used to promote policies by labor and industry that will yield the highest sustainable level of non-agricultural production.

Farmers in the main have done a better job than others in keeping on producing at capacity through bad times as well as good. The problem is how to get the others to march along with agriculture in full production. It is the only way the economy can be made to function at a high level. We need adjustments in agriculture, yes, but it will be a bad day for the farmers and for the nation when we accept the philosophy that non-agricultural industry and labor can't or shouldn't be expected to produce enough to pay for the production of the farms without Treasury help.

Let me elaborate on that a little. Since 1920 the goal of developing agricultural policy has been expressed as the principle of parity of prices or of income for farmers as they exchange their products for the goods and services of non-agricultural industry and labor. Parity does not mean a fixed price level; it relates rather to the purchasing power or exchange value of the products of one group when traded for the products or the labor of another group. The price level is very important to a farmer who is in debt, but in every other sense the most important consideration is not the dollar price of a product, but what it will bring when exchanged for other goods and services.

If then we think of all the farmers as one trading group, and all the rest of the economy as another trading group, there are two ways to hold the exchange value of the farm output high, or to increase it. One way would be to cut down the volume of farm production. The other way would be to increase the

quantity of goods and services produced by the non-agricultural group. I favor the second way as being the better for the nation, better for the farmers, and better for the world.

My answer to the question, "What Price Plenty?", would be this: Let the non-agricultural industries and labor find the way to keep working at full efficiency and capacity turning out goods and services that can be absorbed by this country in a high standard of living - in better homes, equipment, electrification, refrigeration, sanitation, clothing, ad infinitum. With steady work and efficient production, prices could go down without cutting profits or wages. Real wages would rise, for the laborer is like the farmer - it isn't the number of dollars but what he can buy with his products or his labor that counts.

Under such conditions, the farmer could produce abundantly and still trade on good terms for what the other man makes; he could prosper at lower price levels. I think that really is the way out. The relation of agriculture to the rest of the economy is changing radically and further radical adjustments are ahead of us. When Lewis and Clark skirted the western border of Iowa, about 90 per cent of the population of the then United States lived on farms, and those farms produced only enough surplus to feed the 10 per cent who lived in town. At the peak of war production in 1943 and 1944, 15 per cent of the nation's labor force produced the all-time record crops which fed and clothed this nation and its own and allied vast war machines. Not much more than one-fifth of our total population actually lives and works on the farms, although the percentage directly dependent on farming is much greater than that.

So you see that with so few producing so much to feed so many, the ability of the cities and towns to pay for and consume our farm products is an all-important consideration to the farmers. That ability in turn rests on the rate at which towns and cities, the mines and factories, keep busy and produce.

In view of the importance to the farmer of employment and production off the farms, what is the situation and what is the outlook today? I think the elements are present to support a high level of business activity for some time to come, if we can only overcome two great big "IFS" that confront us in industry - labor behavior.

We can keep going:

1) If labor leaders will make their followers realize that in the long run, higher wages depend on increased production. Without it, the wage increases are not real, and
2) If management will deliver lower prices as volume grows, and will share fairly with labor and consumer the benefits of increased productivity.

These are stubborn "ifs" but they are very important. Perhaps you say there isn't much agriculture can do about these things. Perhaps you think this kind of talk doesn't fit a Farm Institute. But I tell you these issues are fundamental to farm welfare. Many farm and business and labor leaders have seen clearly the policy we must follow if our economy is to function. Teamwork in attaining and holding a high level of production is necessary if we are to develop the full economic life required of this nation.

The annual meeting of the American Farm Bureau Federation in New Orleans in 1938 was devoted to this theme. It needs to be sounded "again and again and again". The forces of those who seem to believe we can make ourselves richer by producing less, with government direction substituted for individual initiative, are numerous enough and loud enough without recruiting from the farms.

Now in conclusion: Along with many of you I have watched the full cycle of agricultural policy unfold since the first World War. Many mistakes have been made, but on the other hand, many great miracles have been performed.

We have demonstrated as a people that we can accomplish the impossible under the grim discipline of war, and I have full faith that, unless international anarchy prevents us, we will demonstrate the same capacity less spectacularly but no less surely in peace. There is no magic formula by which farmers can be insured prosperity as a class apart from others, but there are ways to achieve plenty with which to provide better living standards for all.

Full achievement in line with our capacities is impossible without far-sighted, tolerant and good-natured cooperation, founded on mutual understanding among leaders of agriculture, labor, industry and government. This great national forum can contribute to that understanding, and I am proud to have a part in it.

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