Interview with Governor John Carlin

In terms of economic resources, Kansas is an important state in many respects. Its farmers produce more wheat than farmers do in any other state. The state leads in the number of cattle slaughtered. It is rich in oil and is a major center for aircraft production.

As a farmer and Governor of that State, John Carlin has had a unique vantage point to observe adjustments by farmers and communities to the farm and energy conditions of the 1980's. This interview was conducted on October 30, 1986 in Washington, D.C.

CHOICES Editor, Lyle Schertz, opened the interview by asking if Kansans are better off today than they were a year ago.

GOVERNOR: It depends on which Kansans you're talking about.

CHOICES: Farmers?

GOVERNOR: In terms of the farm community, no. You can find exceptions. The livestock producer in some ways has had a pretty good year—swine to be more specific. They had some very good months. Although they've had some problems too, you can find isolated examples where farmers are better off than a year ago.

But in the big picture, when you balance everything out, the answer is no. And the reason, quite frankly, is that nothing has changed to alter the real root problems we have in agriculture today. We still have an unstable agricultural policy. We still do not have a comprehensive trade policy and we're not competitive in world markets. We have fiscal problems; which mean we have monetary problems; which mean we still have interest rate problems for both farmers and everyone in the productive sectors of the economy. There are isolated examples of progress. But in terms of moving agriculture forward, no.

CHOICES: We hear that there are going to be tremendously large checks going to some of your farmers.

GOVERNOR: That is correct in some cases. However, bankers as well as the fertilizer dealers are going to get the bulk of those checks, and that is understandable. But keep in mind it is a short-term positive that really is not contributing that much to our long-range needs.

I don't think anyone is very comfortable with a program that is so costly in terms of its ability to last. I don't think that any farmer is too comfortable with a situation where this money is coming from a government check rather than from the sale of crops and livestock. This approach is not going to be tolerated for long because of a variety of reasons. Although you can say government dollars are a boost for now, they help maintain the most expensive farm program we have ever had. And still we have a devastated agriculture.
CHOICES: Do you think that farm profitability will turn around without further declines in the value of the farm assets?

GOVERNOR: I think that farm assets have to be realistically valued. There is no question about that. Certainly we had some land values totally out of sync. But the important thing is that we stabilize at a reasonable level. The wide fluctuations do not serve agriculture well.

CHOICES: You convened an Agriculture Working Group recently. I understand that it gave considerable emphasis to instability. Are you talking about instability of programs or instability of prices?

GOVERNOR: Instability of programs primarily. The Working Group I established in 1983 believes that only through a stable long-range policy can there be opportunity for the farmer to make farm programs work for the benefit of everyone and therefore lead to higher profits. This point is so important. It is not new, but I don’t think it is understood by that many.

Agriculture is the most capital-intensive industry in this country. Look at other capital intensive industries. You don’t find those businesses surviving unless there is some stability, some long-range planning capability. For example, Kansas is an oil-producing State. The oil industry is struggling today. But if you look back over its long history you find that this industry has had relatively stable policies. The depletion allowance is an example. I am not debating the pros and cons. But the depletion allowance didn’t go before Congress every year for renewal. You wouldn’t have found near the investment in the oil industry or any industry if its respective policy were going to be subject to renewal or change every so many years as we have in agriculture.

That is what my Working Group on Agriculture is saying, and I totally agree. Not that policy should be locked in concrete and never changed or be subject to flexibility, but we used to have some continuity.

I come from a wheat state. Wheat producers need to have some sense of the broad parameters of the wheat program. That they are not going to be reviewed and changed every year. We’ve had a period of time in which the wheat farmers of Kansas, and this country, have for the most part had their wheat in the ground before they have known what the program is.

And the point here is that this situation, not only can’t continue, but that farmers sitting down with the banker trying to figure out long range how that quarter or section or three sections of land are going to be profitable have to know what the rules are going to be. Is there going to be a program? Is there going to be a loan program? Is there going to be a set-aside? Are we going to have a two-tier concept? Is there going to be an emphasis, not just temporarily, on a long-range commitment to put land back into conservation programs?

CHOICES: For some the word “stability” is a code word for higher prices; you do not interpret it that way?

GOVERNOR: Not necessarily because I don’t think it’s so much higher prices. The bottom line is profit. It is survivability. It is the farmer seeing enough return on his investment that he stays with farming. And it also involves attracting another generation to be farmers and thereby saving what I believe is very important—family farm operations. And I’m not talking about an inefficient operation. I’m talking about keeping the ownership of the land with people who are actually and directly, as much as possible, doing the farming.

CHOICES: Even with instability, U.S. farmers tend to produce more than can be marketed. Won’t stability in fact aggravate that problem and give us more supplies?

GOVERNOR: In a hypothetical situation that point could be made. In other words, if we lock in programs that encourage overproduction, the answer is yes. Stability is just one aspect. I don’t think that there is any question that we have to develop a program that brings supply and demand more into line and let the marketplace do more of the funding of the program. Now whether that is a two-tier system that some suggest, or some other program, I don’t pretend to be the one smart enough to say.

But I think that a two-tier program is a good example. With such a program you identify production needed for domestic consumption and make that profitable for the consumer. Then move on to very restrictive mandatory controls, and from there to set-asides, or whatever. I just don’t think that agriculture, a capital intensive industry, can survive with such changes.

CHOICES: Will one of the adjustments be a downsizing of the agricultural plant with actually less capital in agriculture?

GOVERNOR: One of the things that I say over and over is that we have to be open to change—whatever that is. We have to find more efficient ways to operate and that includes the producer being willing to change, not just the federal government policy and the trade—but the producer. That could mean growing different crops. It could also mean growing crops in a cooperative way with other farmers to produce for
a specific purpose. That purpose could involve a company in the community that takes that raw material and converts it into a finished product—the valued-added concept that is so important for rural America and its future. It could also mean instead of their normal independence with all farmers wanting to have their own machinery line, that farmers participate in cooperative machinery arrangements to make more efficient use of that very expensive equipment. I don’t know necessarily what it is. But, I know it involves change. I know it necessitates the producer increasing his or her flexibility, being more open to change, innovation, and creativity to make this all work.

**CHOICES:** Is it possible that stability of prices would stymy those kinds of things?

**GOVERNOR:** Not necessarily. However, as producers—I’m a farmer myself—we can’t assume that I’m going to grow and I’m going to raise exactly what I have always grown and raised and do it the way I always have done it; and now it’s up to the Federal Government and the farm program to assure that I have a profit. That’s not realistic.

That’s why I say, a stable farm policy includes sensible supply and demand programs. And it’s not a program that simply guarantees, whether you are efficient or not, that there is going to be a profit. We must have a sensible program which will provide those who are efficient, who are flexible and willing to adjust the opportunity to survive in a profitable way. Under the current set up, for many that’s not realistic, and I simply point for evidence to the fact that many of the farmers that we’re losing are our best and brightest.

**CHOICES:** And they are losing because they have large debts?

**GOVERNOR:** Yes. They have large debts. Their timing, certainly, was bad. Advice from reliable sources that at the time looked very good, turned out to not be the correct advice. And, I say this, to those who argue, “Well that’s tough luck they’ve got to work their way through.” On the long pull, there has to be some incentive for the entrepreneur, for the creative thinker for the risk taker. Agriculture is the best in many ways—in many cases in the entire world—because we have farmers who are willing to take risks and willing to invest in new crops, new lines, new bloodlines, whatever. And I don’t want to stifle that creative genius and simply retreat to a status quo agriculture because creativity is important to being competitive in markets. If it is lost, we’ll be whipped by those who take the long term approach with new and more efficient policies.

**CHOICES:** You speak of those who are hurting, those who are in financial trouble. What do the neighbors think when the Governor or a federal program reaches out specifically to help those in trouble?

**GOVERNOR:** I think that those who are truly not in trouble, and see the big picture, understand that somehow their neighbor has to be helped. In a short-sighted way some of them might see an opportunity to purchase another quarter or another section of land at a deflated price to expand their own operation. But, I think most of them recognize that ultimately at some point carried to the extreme there will be so few living in rural America that those who remain will not be able to sustain a quality of life.

You certainly wouldn’t have the numbers for any kind of community activity whether it is church or senior citizens or whatever. I believe that most neighbors see the big picture and recognize that they can’t be so self-centered to think that they really gain long-range because someone else is wiped out.

However, I think that there is a legitimate concern on the part of many that we don’t always help the right people. I’ve heard people say, “Look, if I could have some help now, a modest amount of help, I can survive. But I don’t qualify.”
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And the programs help, for the most part, and I’m exaggerating here, the individuals who can’t be saved.

Now that does not mean that we abandon those most in need. It means that we have to take the most realistic help to everyone. To some, quite frankly, it is too late, and the help there should be to assist a transition by helping retrain them with financial assistance to go back to school to develop another trade. For some this help might be just financial to pay for tuition. For some it might be counseling. But I would be realistic. Let us not set up a dream world—programs are not going to keep everyone on the farm. Target and do not draw the line too closely. Certainly focus. I mean, low interest loans to the farmer who is comfortable by any one’s measure is not wise public policy. But low interest loans to the person in need and who is salvageable today might be the best way to help.

**CHOICES:** I hear you say, “Have a need criteria but don’t wait until they have serious trouble before you offer assistance.” Am I correct, you wouldn’t do it like the food stamp program where you have to declare poverty before you get any assistance?

**GOVERNOR:** Right. Or draw a parallel—health care. You have to be concerned about prevention. You have to be concerned about early detection of a problem. And for everyone’s sake it is far better to invest our dollars now—or at least some of these dollars—than to simply say we are only going to be concerned about medical or financial care when people are in the emergency room or bankruptcy court.

**CHOICES:** Are the services of the local communities in rural Kansas declining?

**GOVERNOR:** It is fair to say that in many rural communities services have had to decline, simply because agriculture is so dominant, and the property tax continues to be the source of revenue for many rural communities. Some rural communities are really hurting where the city part of the community is not a trade center and where the local option sales tax has not been a viable alternative to at least complement the property tax structure. For some rural trade centers, business is off drastically. Consequently, the property tax burden has simply reached the point where communities have curtailed services rather than raise taxes.

**CHOICES:** Do you have money in the state to help?

**GOVERNOR:** We certainly do not have money in the state coffers today. My successor without a doubt walks into a first-year fiscal year 1988 budget that is going to require cutbacks in many areas.

**CHOICES:** Will assistance to communities become a national responsibility?

**GOVERNOR:** I think that the primary responsibility is at the state level for what we are talking about here. One of the big problems we have out there in rural America is the federal deficit.

As we led up to the 1985 farm bill I said—as a proponent of change and the necessity to think long range—that the best farm bill would be a significant deficit reduction program. Reducing the deficit in a significant and fair way would be far more cost effective in assisting farmers because it would contribute to lower interest costs and make us more competitive in world markets.

**CHOICES:** A significant amount of the $25 billion commodity program is tied to the wheat program. A substantial portion of the benefits of that program goes to Kansas farmers. If you had that money coming through the Governor’s office would you spend it in the same way? Would you send it to the same producers?

**GOVERNOR:** Realistically I will not have that opportunity. I would say this, however, temporarily those farmers need every dime. But long-range I know realistically the federal government is not going to continue to fund at that level. Other changes have to be made.

**CHOICES:** However, isn’t there a public decision making process involved as to whether money going to rural communities should go to farmers—with spillover effects on the...
community—or whether money should go more directly for some community services that are not now being adequately funded?

We have a tradition that the federal government writes checks tied to commodities, and the state governments write the checks that relate to schools and other community services.

GOVERNOR: Yes, in the bigger picture there may be a more efficient way—maybe more of the dollars should go to services. Maybe we need to target. A lot of people believe that costs of many farm programs could be saved by targeting these dollars to assist those who really need the help rather than follow an across-the-board approach.

The point that really applies here is this. We have to see the big picture. We have to look at all of the effects of every decision that is made and try to develop a game plan that serves the national interest, that addresses the greater good for the greater interest of the entire country, rather than segment by segment with no regard how this program affects others.

We cannot afford this latter approach. We get back to the deficit situation and the financial crisis that is here today but has been covered over by a variety of circumstances. But at some point it is going to catch up with us and in a very devastating way.

CHOICES: I understand that you were very instrumental in arranging the provision of the farm legislation that calls for a Commission on Agriculture.

GOVERNOR: Yes, that concept started with my Agriculture Working Group and went through the Midwestern Governor’s Conference and the National Governors’ Association.

CHOICES: How hard was it to get it written into the legislation?

GOVERNOR: It took three years. It was very difficult. On the one hand, we feel very good to have it there. But we are very frustrated that to this point it has not been implemented.

My Agriculture Working Group really said two things: (1) they talked about stability—we’ve already discussed that—and (2) they said that long range, you cannot expect the needed stable program to come from the current system. You can’t expect a very political system involving the Administration and the Congress to come up with the needed programs. We ought to acknowledge the crisis and appoint this working group, this task force, this commission, and charge it to come up with a plan. And with an approach similar to the approach to social security, when there was a desperate need for tough decisions to be made, use that Commission’s recommendations as a scapegoat. Pass it! And blame the Commission for the short term political problems.

CHOICES: Isn’t that like saying democratic processes don’t work?

GOVERNOR: Well, on balance there isn’t any question we have the best system in the world. But that doesn’t mean that we have a perfect system. Where our system breaks down most consistently is when you have major problems that demand long range solutions—but the long range isn’t palatable for the election that is around the corner. Now I simply submit the system on balance is sound. You don’t abandon the system when you have a problem. You adjust, you become creative. The task force on social security led to reforms that were absolutely essential and that would never have been passed with the ordinary processes. Similarly, I think there is a chance for agriculture to get the medicine it needs through a task force on agriculture.