



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

CONTROL BY GOVERNMENT

Robert G. F. Spitze
Professor of Agricultural Economics
University of Illinois

With our strong heritage of private enterprise, it is difficult for many of us to view this alternative as viable. Nevertheless, in this discussion, government will be presented as one possible alternative.

Our concern is who is going to quarterback this game. Who is going to call the signals for three different teams, namely, the producers, the marketing agents, and the consumers, as they play the game of selecting resources, providing products, and determining prices? The purpose of this analysis is not to propose a system of control nor to defend one, but rather to search through our knowledge and experience for enlightenment on: (1) government as a system of control, (2) how government could control agriculture, and (3) the consequences.

GOVERNMENT AS A SYSTEM OF CONTROL IN OUR COUNTRY

Government control over many phases of U.S. agriculture is presently a fact of life. Furthermore, the experience in most countries similar to ours could well lead to the conclusion that as countries with elected governments progress to higher levels of living, their concerns about economic justice for the tiller of the soil and about ample food supplies result in more governmental involvement in agriculture. Rather than control as an ideological end in itself, this alternative encompasses only sufficient governmental control within the basic structure of our constitutional system to achieve desired economic objectives for farmers, consumers, agribusinessmen, or rural community leaders.

It is important to recognize that control by government in the United States is a product of compromise. Ours is a representative government whose policies generally represent a mix of the desires of many interest groups. Farm producers and related businesses have an important input, but other groups also have a voice.

Increased governmental control of agriculture in the United States would represent a preference by society for public action to replace private action in some critical areas of the agricultural sector. Such action might include control of land use, production, marketing, pricing, or income distribution. Probably the best

example of this type of governmental control is that common for most public utilities, such as electricity, gas, telephone, and transportation.

HOW GOVERNMENT COULD CONTROL AGRICULTURE

A variety of instruments for controlling agriculture is possible. The appropriate combination depends upon the goals sought. With our present knowledge of values and kinds of governmental involvement already chosen in the United States, the instruments of control most likely to be used would affect farmers' access to markets, land, and technology.

Markets

Various regulations could affect volume of products, their quality, and pricing, thus increasing total farm income as well as rationing entry into farming, redistributing economic opportunity, or altering farm structure. Examples of programs using control measures affecting both production and marketing are federal orders, the sugar scheme, domestic wheat certificates, sanitation requirements, price-support loans, beef import quotas, and food stamps.

Landholding

Land is a common vehicle of governmental control due to its being an accountable, tangible, and critical economic base for production. The most drastic means of control would be outright government ownership. Other more practical means include voluntary land retirement programs, zoning regulations, and taxation.

Capital—Acquisition and Control

Government could control agriculture through altering the capital flow. The governmentally initiated cooperative farm credit system (Farm Credit Administration) is an obvious case. With the Farmers Home Administration, the Commodity Credit Corporation, and the Rural Electrification Administration, government more directly provides capital to agriculture. These agencies could be strengthened or redesigned. New institutions or governmental credit agencies also could be established.

Labor

Government could control agriculture through the agricultural labor supply. Increasingly, spokesmen advocate extending labor laws concerning such items as working conditions, health care and accident prevention, wages and unemployment benefits, and collective bargaining procedures for hired farm labor. Such benefits

could affect the organization of farm production, even though the farm laborer and operator are usually the same. Direct licensing of farm workers or operators would be an extreme means of controlling the labor supply.

Management and Technical Information

Government could control agriculture by regulating the flow of production and marketing technology. The recent pace of agricultural growth was largely based upon both private and public research. Governmental efforts to develop and expand certain technology, or discourage and prohibit others, could not only alter patterns of production but also affect both farmer and consumer economic welfare.

CONSEQUENCES OF GOVERNMENTAL CONTROL

Difficult administrative decisions are implicit in this alternative. Any governmental misjudgment is amplified and a source of emotional public response. The objectives for control under this alternative, revealed only through public decision-making processes, are diverse and unpredictable.

Farmers

Governmental control of agriculture would enhance farmer income if the public viewed relative farm-nonfarm income levels as a problem and chose controls to favor farmers. Such income improvement could be any mix of returns from the marketplace and from transfer payments, but would likely result in some loss of managerial discretion. On the other hand, governmental control to assure a plentiful low cost food supply could result in expanded production, lower farm product prices, and reduced general levels of farmer income.

Agribusiness Firms

Governmental policies to control agriculture could conceivably benefit selected farm supply and marketing firms with windfall or monopoly gains. However, the probability is greater that it would interfere with their private power and hence weaken their economic position in general.

Rural Community Institutions

The consequences of governmental control of agriculture to the rural community are closely related to the economic results for the farmer. An increase in the relative level of total farmer income broadens the economic base for supporting schools, utilities, recreation, and businesses. However, the opposite may

also be true. Many of the changes taking place in our rural communities result from forces other than farm numbers, production, prices, or incomes. Contemporary public thrusts in the United States suggest overall improvement of the rural community is likely to persist as one of the goals.

General Public: Consumer and Taxpayer

Government control of agriculture could result in either relative gain or loss for consumers as well as for farmers. In general the results to the consumer would be the inverse of that for the farmer. Recent history of agricultural public policy in the United States suggests that the consumers' interest is not forgotten. Consumers have access to an increasing supply of food, which they purchase with a smaller proportion of their incomes, and public food distribution programs benefit lower income consumers.

The consequences to taxpayers appear much more foreboding, with the economic welfare of both producers and of favored consumers being increasingly protected by public transfer payments. Even though farmers and favored consumers are also taxpayers, our progressive federal tax system and the prevailing transfer payments received by these groups mean that they benefit relatively in the current pattern of federal policies.

STEPS TO BE TAKEN

The implementation of this alternative of governmental control of U.S. agriculture would involve the following:

1. Decision by the public policy-making processes of our representative government that government should be the quarterback in controlling farm production, product marketing, and distribution activities sufficiently to achieve desired public objectives.
2. Selection of those economic goals affecting both the farm and nonfarm public which represent acceptable compromises of the innumerable views of the participating individuals and interest groups.
3. Choice of instruments of control, be they markets, land, capital, etc., which best achieve the above set of goals.
4. Enactment of appropriate policies and implementation through workable programs.