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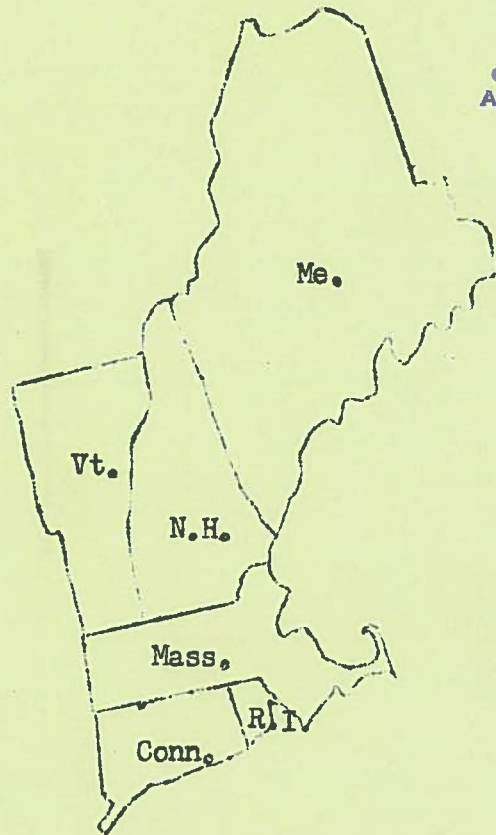
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AGRICULTURAL ADJUSTMENT IN NEW ENGLAND

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I should like to take an extreme position on the issue of relating adjustments in New England agriculture to national agricultural development. The purpose of this is not to provoke an argument, but rather to establish a point of view from which to observe the problems that cluster around agricultural policy. While the distance from the extreme to the mean may be so great as to blur important detail, this approach may be defended on the ground that a long perspective may sharpen the focus.

In the first place, while it seems to be obvious that the direction of adjustment must be one in which New England agriculture is adapted to the national imperatives, the issues of regional policy are occasionally discussed as if by its inherent virtue New England was outside if not above the national arena. Perhaps this may be explained in part by the fact that national agricultural policy over the past decade at least has not been notoriously successful in achieving its stated objectives. On this point there seems to be fairly general agreement. Witness, for example, the symposium on agricultural policy in the current issue of the *Journal of Farm Economics*. This benign consensus does not extend to the reasons for its failure nor, indeed, to the question: Has that failure been an unmitigated evil?

I believe that there is ample evidence to show that governmental policy to solve what has been called the farm problem is obsolete. The symptoms of malfunction upon which that policy has been focused has been the rapid growth of agricultural production without regard to the dictates of demand as they are expressed on the market. The various price manipulation and production control nostrums that have been applied do not seem to have had their advertised powers. This suggests the possibility that the panaceas were irrelevant to the disease. The rapid adaptation of agricultural production to industrial techniques that has taken place in the past 20 years, in part, in spite of agricultural policy and the best efforts of some well-intentioned agricultural economists may have been both necessary and desirable; and on the score of marketing it is no more than candid to admit that public programs have with avowed intent given monopolistic powers to agriculture.

There is no mistaking the fact, however, that agricultural policy has created a considerable drain on the public treasury both in terms of money, and of general good will toward the agricultural segment of the population. This may become an embarrassing mortgage for the future of agriculture unless some positive solution can soon be found to the maladjustments between the doctrines of policy, and the actual fact of the situation.

It does not seem to me that we will make significant progress toward this positive solution by defining the agricultural problem in the conventional terms of resource allocation. To be sure, there is misallocation of resources in agriculture, but a large measure of the beneficent advances of agricultural production has been made possible by the mobi-

lity of the factors including the movement of labor out of agriculture. A policy to stabilize this allocation on the basis of some presumed ideal would, in the light of present high and unpredictable rates of change in production combinations, block the necessary continuing adjustments. What we may be witnessing is a clear example of Schumpeter's creative destruction which is not to promise that at some time in the future the process may become more destructive than creative.

This suggests the possibility that there may be no solution to what has become the classic definition of the agricultural problem. Agriculture may be in the process of redefining itself, and in this process the issues are polarizing around two discrete problems. One of these is the social welfare issue which is an aspect of rural levels of living and opportunity. Farming is merely an incident of this. The other has to do with the rate, direction, and composition of economic growth of the agricultural industry. To design an economic policy that will be useful in directing this development would seem to require something more than the prescriptions dictated by the static, pure competition model. If an effort is to be made by public policy to achieve adjustments in this sector, the general criteria will have to be in terms of adjusting efficiency possibilities to social and political objectives over time.

What has gone before presupposes that the patterns of national agricultural development are in the direction of rapid growth of large scale, integrated enterprises. National policy has had little effect on the direction; it can affect the speed of growth. From the point of view of agriculture in New England, the major issue is how to adjust regional development to this trend. One might predict, if we do get eventually a national agricultural policy that deals directly with this issue, the problem of New England's adjustment will be less painful than if we have no policy. In the latter instance success will become merely another word for survival.

If this formulation is correct, the New England farms that will survive will be those that adapt themselves to the national pattern. This means in essence a growing capital intensity accompanied by economies of scale. Both of these processes are now going on in New England. The point at issue is, and will be for some time, is the adjustment being made rapidly enough.

The less efficient, less fortunate operating units will be faced with competition for productive land, capital, and labor that will bear on them with increasing weight. Unlike the operating units with capacity for growth their relative position vis-a-vis their competitors will grow weaker.

The major areas of competition for land in New England can be divided into three categories. First, there is the pressure on the relatively scarce supply of agricultural land by urban growth. The second is the expanding demand for land for recreation and retirement homes. Associated with both of these is the consumptive use of arable land by the spreading net of highways which exert an effect on land considerably beyond the area

of the right-of-way. A third and growing use of land is for water production and watershed protection. As population expands the land requirements for water production is not merely a matter of insuring adequate quantity. Equally important is the need for reservation areas to protect urban centers from floods, and greater watershed areas to insure necessary water quality. With the possible exception of land for recreation, these uses require land most desirable for large scale, capital intensive agriculture.

In the competition for labor, farm operating units unable to invest in equipment to maximize labor efficiency are faced by a wage rate structure beyond their means. In addition, the supply of skilled farm labor available for seasonal work is rapidly diminishing. Owing to the relative immobility of the labor factor in New England, and the wide dispersal of the labor force throughout the region, these difficulties may be somewhat mitigated.

There is an ample supply of capital in the region to finance agricultural adjustment in those areas where prospective returns are sufficient to satisfy private bankers. But New England with its large consumer market and widely dispersed small industry seeking funds from local banks, offers many attractive alternative uses of private credit much more appealing to loan officers than any, but the most efficient farm units. The fact that there are none in the region would support the conclusion that there are not enough attractive opportunities for loans in New England to interest the large scale private farm credit institutions such as are found in the central states. For national private lending agencies interested in agricultural credit, the opportunities for such investment in other areas look considerably more attractive. At the risk of inviting strong dissent, I would also claim that compared with other areas there are significant institutional lags in both public and private lending agencies in New England. This is an inadequacy that will penalize both the growing, efficient, farms and the movement from the declining operating units in New England. As for the physical resources this, in addition an inflexible tenure pattern, stands in the way of desirable land resource combinations to create large-scale farm enterprises.

In general terms, the conclusion one might draw from this point of view is that New England agriculture has the problem of making adjustments to the impact on it of growth in other areas. At the same time, the state of the internal, regional economy is not one that would provide much support for agriculture. In spite of these rather formidable limitations it is not unheard of to find local pundits viewing the situation not only with complacency, but also with approval. As for a national agricultural policy that will provide aid and comfort to an agricultural economy such as that of New England that has yet to emerge. Perhaps when in the future a decision is made to face the rural problem the greatest aid to the rural economy of New England will come not from social welfare programs disguised as farm programs, but from new methods of governmental aid forthrightly accepting the rural welfare problem for what it is.

Samuel Bowles of Springfield, Massachusetts, writing a prescription

for the American Indian in 1869 wrote: (Supply him) "The means to help himself in the simplest forms possible—stock raising is practicable to all the tribes, and tilling the soil possible to most—and furnish the rest from day to day; add such education as he will take; such elevation as he will awaken to; and then let him die, as die he is doing and die he must—under his changed life." It may seem that I am making a similar prescription for the farmers of New England. I would have to confess that the prospect for agriculture as we have known it in New England does not seem to be wholly different from what Mr. Bowles offered the poor Indian, although, I lack the Puritan fortitude with which he was so easily resigned to their fate.

One might argue on the other side that the nearness of direct consumer markets, favorable rainfall patterns and water supply and the ready response of land to investment provide a bulwark behind which New England farmers can resist outside pressures. Certainly, that is not a new view of agriculture's opportunity in New England. Some farmers will take it, and with a degree of success. Others have the opportunity to develop new enterprises. A hopeful way out for Northern New England particularly is a combination of forest land management with agriculture and recreation land use.

This extreme view of the future of agriculture in New England does not mean a decline of the regional economy. Indeed it should indicate the opposite with a consequent general rise in resource use productivity and level of living. For this reason, to resist the changes mentioned here merely because to do otherwise would be to give up familiar patterns of land use, would be hard to justify even on the basis of rectitude. To put too much faith in market location is to ignore that transportation technology is rapidly dissipating New England's market location advantage. Water supply is being pre-empted for more productive uses than agriculture can promise. In other words, a blind adherence to the uses of the past is probably the shortest route to misallocation and waste of land, and the human resources associated with it.

This extreme view suggests in the end that agricultural adjustments in New England might well be in the direction not of protecting its agriculture, but toward adapting it to the requirements of economic efficiency through adjustments in intensity and scale. This will not cure the rural social problem, but it will create an environment in which a positive solution for that very real issue can be faced directly on its own terms, and with more resources to achieve it.