FARM CRISIS OR AGRICULTURAL SYSTEM CRISIS? DEFINING NATIONAL PROBLEMS IN A GLOBAL ECONOMY

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INTRODUCTION

Kleinman (1995) argues that "crises" offer sociologists unique opportunities to understand a society's tendencies because the people who assign the label to social conditions do so as they intensify efforts to make dramatic changes. The "farm crisis" of the 1980s fits this description because some agribusinesses and policy makers called for dramatic policy changes to address this 'crisis', even though United States Department of Agriculture (USDA) data on the decline in farm numbers indicated that the 'farm crisis' was not as bad as in past decades.[1]

A flow of newspaper stories in the 1980s described farm foreclosures and farmer hardships. A *Christian Science Monitor* headline in February of 1985 even described farm conditions in the United States as the worst since the 1930s Great Depression (Lyson 1986). Many policy makers, agribusinesses, economic analysts and farm interest groups claimed a need to overhaul New Deal agriculture policies because "US agriculture is at a crossroads in its evolution as an industry" (Joint Economic Committee 1983: I, 2).[2] Browne (1988: 218), a policy analyst who followed the 1980 agricultural policy debates closely, noted that "It was difficult to find any participants who did not express the opinion that the time for major agricultural policy reform was at hand." The popular image that has emerged is that of the Federal Government's passing of the 1985 Food Security Act, and the dramatic restructuring of New Deal farm policy in order to alleviate the suffering of American farmers. Some even claimed the Food Security Act was "revolutionary" for its efforts to solve environmental and economic problems on the farm (Glenna 1999).

The problem with this portrayal is that is it contradicted by the evidence (See Chart 1). Although United States monetary and fiscal policies caused a dramatic drop in the value of farm assets in the early 1980s, farm numbers did not decline as they had in previous decades. Farm numbers declined by 1.7 million in the 1950s and over 1.1 million in the 1960s, compared to 294,000 in the 1980s. In fact, the decline in farm numbers in the 1970s, a decade considered good for agriculture, was nearly twice as high as in the 1980s. The Eisenhower and Kennedy administrations did make efforts to slow farm number declines through production and price controls (New Deal strategies[3]) in the 1950s and 1960s (Lauck 2000: 147; Fite and Reese 1965: 665), but policy makers in those decades did not call for an overhaul of the New Deal to end a crisis. Why then was there a push to restructure the New Deal policies at a time when declining farm numbers were fewer than they had been in the recent past?

One may argue that policy makers did not call the previous decades a farm crisis because farm interests had to compete with the Cold War, Civil Rights, the Vietnam War, and other pressing issues. Furthermore, unemployment in the 1960s stood at 4%, compared to 8-10% in the 1980s (Halcrow, et al., 1994: 286). The implications are that farmers in the 1960s were less likely to call for government hand-outs because they were able to find alternative employment more easily than in the 1980s, and that farmers were able to find public support in the 1980s because there were fewer competing claims from other interest groups. But even if farmers had pressed for more attention from the government in the 1980s because of the lack of employment opportunities, their cause failed to garner wide public support. Lyson (1986: 490) reports that despite dramatic headlines in newspapers about farmer woes and vague support for farmers in the 1980s, Americans did not list the farm crisis as a pressing issue. And many farmer advocacy groups had been claiming that they had been in a perpetual state of crisis and advocating for assistance since the 1920s (Fite and Reese 1965). Why would the policy makers listen to farmers in the 1980s, when farm numbers were not declining as fast as past decades and

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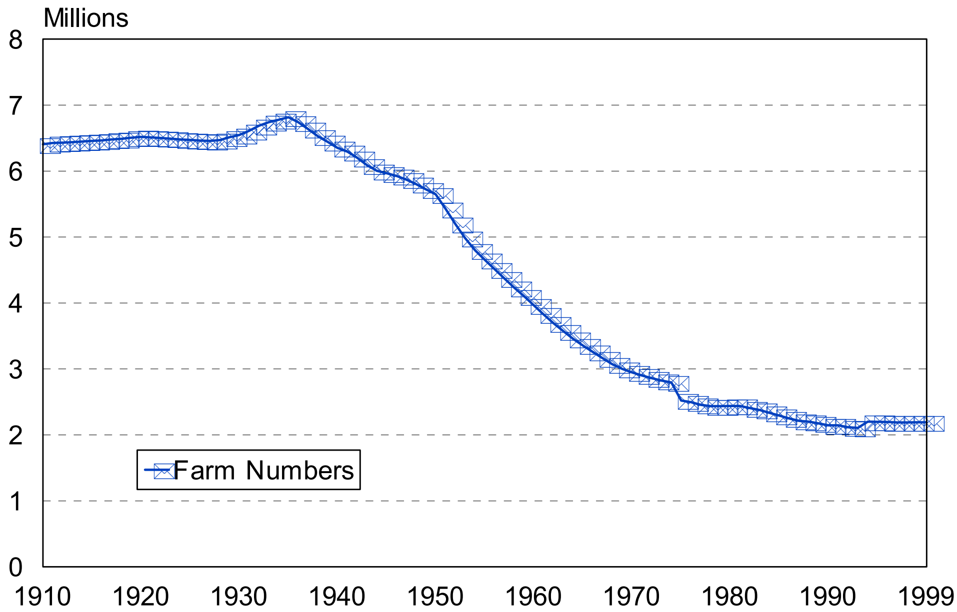
[1] Michael Bell made this observation at the August 1999 Rural Sociological Society meetings in Chicago.

[2] The Joint Economic Committee's assertions are an important source of data for this paper because of the significance of the JEC. One of only four Joint Committees in the U.S. Congress, it includes both Senators and Representatives whose primary task is to review economic conditions and recommend policy changes, and its comments and recommendations are influential. See http://www.house.gov/jec/ The House of Representatives and the Senate each have agricultural committees and subcommittees to address agricultural and farm concerns. That the JEC would become concerned with agricultural issues reflects the importance of the topic.

[3] The New Deal refers to a collection of policies directed at improving economic conditions in the U.S. during the Great Depression of the 1930s.

when the public was apathetic? It would seem from this that a more complex analysis of the social construction of crises is necessary.

Chart 1: US Farm Number Declines 1910-1999



source: www.nass.usda.gov

Hilgartner and Bosk (1988: 55) contend that analyzing social problem construction requires an understanding of institutions within which problem formation and dissemination occur. They also point to the need to consider how those institutions may privilege some problem sponsors over others (Hilgartner and Bosk 1988: 64-65). Commentators have argued that the agricultural policies in the 1980s were about more than simply farm numbers. First, Harl (1990) claims that policy makers did not express concern for the decline in farm number prior to the 1980s because farm production continued to increase. And there is evidence to support his claim. According to a Congressional Joint Economic Committee (JEC 1984: 7) report released during the farm bill debates, between 1958 and 1981, farm productivity increased 32% in output per acre and 240% in output per farmer, while crop production and livestock production increased over the same period by 71% and 37% respectively. Therefore, although farm losses may have been painful for the individual farmers, policy makers were less likely to be concerned because agricultural sector productivity was expanding. However, policy makers became concerned in the 1980s when the farm financial problems affected even the most prosperous and efficient farmers, which in turn affected collateral agricultural industries and banks (Harl 1990: 19-26; See also Kenney *et al*. 1989; Murdock *et al*. 1986; Bultena *et al*. 1986; Green 1984).

These critical observations suggest that policy makers were interested in more than addressing a farm crisis in the 1980s. In fact, policy makers may have come to construct the agricultural conditions of the 1980s as an agricultural system crisis. I am not claiming that farmers who lost their farms in the 1980s were not hurting or that the loss of farms does not warrant a "crisis" label. Rather, I am offering a hypothesis that policy makers responded to what they considered to be a problem that extended beyond the decline in farm numbers, i.e. to a problem facing the wider agricultural system. If this hypothesis is accurate, there should be evidence in congressional hearings to support this distinction. To set the stage for this analysis, I will describe the location of the farmer in the agricultural system and explain how global economic changes were affecting that system. I will then use congressional hearings and USDA data to demonstrate how policy makers came to articulate the threat to the agricultural system and to interpret the farmer as an expendable component of that system. I will then explain how this analysis offers insights for better understanding how the nation-state conceptualizes and manages the human and natural resources within its boundaries in an era of globalization.

The US federal government's ability to manage the national farm production process and international agricultural exports in the face of the crisis of the mass-production/mass-consumption economic system was the critical question facing policy makers in the 1980s (Kenney *et al*. 1989). However, it remains to be explained how a farm crisis may be linked to "both the crisis of accumulation in the world economy as a whole and its current restructuring process" (Buttel *et al*. 1990: 183). I believe that I can link the 1980 farm crisis to the more general crisis of accumulation and the agricultural restructuring process by revealing how policy makers defined the conditions as an agricultural crisis, not a farm crisis, and by documenting how policy makers developed strategies for bailing out agricultural input and processing industries by expanding world markets even as they generated rhetoric about helping the farmer.

THE FARM IN THE INDUSTRIAL AGRICULTURE SYSTEM

Although United States agriculture is often portrayed as a premodern or preindustrial system because of the persistence of non-wage-earning farmers, farmers and farms have in fact long been integrated into a sophisticated industrial process (Mooney 1988; Bonanno 1987). Pugliese (1991) has even suggested that the agricultural system implemented outsourced production before the manufacturing sector began using such strategies. The federal government regulated this outsourced agricultural system by stabilizing farm income while maintaining high production and by integrating rural people into the consumer economy (Kenney *et al*. 1989).

In the manufacturing sector, the ability to gain profits, produce cheaper products, and still meet union wage demands reached its limits in the assembly-line factory system, whereupon corporate leaders reduced production costs by replacing the unionized workers through contracting with smaller companies in the United States and other parts of the world (O'Riain 2000; Brenner 1998; Antonio and Bonanno 1996; Barnet and Cavanagh 1994; Reich 1992; Kenney *et al*. 1989).[4] Although they failed to attract as much attention, large agribusinesses had adopted strategies such as global sourcing before the manufacturing sector (McMichael 1996: 100). Agriculture may have attracted less attention because of the more subtle ways in which industrialization integrated agricultural processes. Using a strategy of "appropriationism", agribusinesses sought to replace natural processes on the farm and farm labor with industrial inputs and factory commodity processing (Pfeffer 1992). Agribusinesses then enhanced their control over these input and processing strategies by purchasing multiple segments of the production process and multiple processes, or what is referred to as horizontal and vertical integration (Heffernan 2000). Working with these agribusinesses throughout the 20th Century, the United States Department of Agriculture and the land-grant university system combined to transform farmers from petty commodity producers into purchasers of agricultural industry inputs and standardized suppliers of cheap raw materials for agricultural commodity processing industries (Glenna 1999; Danbom 1979).

Farmers were disciplined into this system through debt, tenant-landlord links, contracts, and other relationships (Mooney 1988; McMichael 1996; Heffernan 1994). More recently, transnational agribusinesses have gained control over the buyer-seller relationship by monopolizing markets, leaving farmers with only one potential buyer for their commodities. In addition, these agribusiness monopolies also use global sourcing mechanisms—such as taking a loss in one country to eliminate competition because they can reap profits in other countries—to manipulate prices (Heffernan 2000).

Despite these changes, farming is still considered preindustrial. Neoclassical economists, Jeffersonian agrarians, and the general public tend to think of farmers as independent producers who sell their products in a free market where prices fluctuate according to supply and demand (Hoag 1999: 4). Marxists contribute to this misconception by emphasizing urban industrial enterprises organized around class relations and ignoring those organized around property systems, thus overlooking the ways in which economic, technical, legal and political factors might influence decision making of even a private property owner (Stinchcombe 1965: 184-185). Since agricultural analysts tend to use one of these perspectives, they have expected to find that "…as industrialization proceeded, small-scale production would eventually be superseded by larger and more complex organizational forms" (Lazerson 1993: 403). They are then surprised and even emboldened to find that small-scale grain and livestock farmers persist.

Some labor theorists and sociologists emphasize how commercialization and industrialization effectively ended the low-input, family-based, self-sufficient petty commodity production system of American legend (Perry 1982; Braverman 1974). But instead of admitting that this is, in fact, an American myth, other commentators changed the definition of "independent family farmer," so that the legend might be maintained. As Wilkening and Gilbert (1987: 271) observe, "By World War II, influential analysts of the family farm had

[4] Brenner (1998) differs from the others when he argues that corporate competition, not labor power, generated the crisis of profit. However, his argument for how capital brought itself out of crisis by finding flexible ways to exploit labor coincides with these other theorists.

dropped the requirement of land ownership and the prohibition against hiring wage labor [as a requirement for the family farm label]. Soon, the family farmer became an 'operator [as] a risk-taking manager, who with his family does most of the farm work and performs most of the managerial activity.' "

A number of important studies relying upon a Kautskian version of Marxism (Banaji 1980) have pointed to the many ways that farmers can become integrated into an industrial system, despite the absence of a factory. First, Mooney (1986) and Green (1987) reveal that, even though farmers are not wage-laborers, surplus value can be extracted from farm labor through financing. The creditor technically owns the land and equipment, and the farmer labors to pay off the debt. Mooney (1988) also explains how surplus value is similarly extracted from farmers in tenant-landlord, contract, and part-time employee relationships. Second, Pfeffer (1983; see also Thomas 1985 and McMichael 1987) demonstrates that three distinct forms of agricultural production emerged in the United States based on the availability of surplus labor. The California fruit and vegetable industry has a wage-labor/foreman-management system because the influx of migrant labor created the conditions for proletarianization. In contrast, in the American South and the Great Plains, where surplus labor leaves rather than enters the agricultural labor pool, sharecropping and petty commodity production systems have persisted. Third, Bonanno (1987) explains how small farms are interconnected with the national wage-labor force, even if some of the small farmers are able to generate a modest income from the property they own. Fourth, Heffernan (1994: 5) has noticed that agricultural processing and input firms receive 20% return on their investment when farm producers receive only 3-5%, making agricultural firms second only to pharmaceutical companies in their ability to generate a return on investment. The implication is that agribusiness is able to exploit farm producers even though they lie outside a formal factory system.

The Federal government, railroads, banks, and agribusinesses collaborated at the beginning of the twentieth century to construct this industrial agriculture system. Agribusinesses chose this approach over the direct involvement in on-farm production because: farmland cannot be depreciated; the farm labor process is too expansive to be easily controlled; natural events like bad weather and pests are hard to control; and production cannot be shortened because of natural plant and livestock growth and reproduction cycles (Lewontin 2000: 94-95). However, the system has still come to resemble F.W. Taylor's scientific principles for factory management.

The Progressive Era was marked by a growth in efforts to convert Taylor's scientific-management logic into managerial hierarchies. Lash and Urry (1987) describe how occupations created an abstract body of knowledge, placed it in an educational institution, and made entry into that institution contingent upon obtaining a certain amount of that knowledge from the educational institution. The result was an institutional structure standing between the work and the planning of that work (Lash and Urry 1987). The agricultural system also reflected this trend. Under the guidance of the Country Life Commission (1911),[5] "The agricultural colleges along with the U.S.D.A. in the period 1897-1933 became the science-producing base upon which the modern highly productive agricultural system of the United States was built." And "...the county extension agent served as the principal conduit through which scientific knowledge and technological advances were transmitted to farmers from the state colleges of agriculture" (Cochrane 1993: 106).

The portrayal of agriculture as a localized production system is also inaccurate. Friedman and McMichael (1989) observe that the industrial development in Europe in the 19th century, particularly in Great Britain, was dependent upon its colonies and former colonies to absorb their excess labor and to provide a steady supply of agricultural products. The United States emerged from colonial status to become the world's dominant agricultural supplier, and farms in the industrialized agricultural system became primary consumers of manufacturing sector products. This strategy became a model for developing nations around the world, even though it could never work in other countries, because they could never dominate agricultural exports the way the United States had initially.

Because of the emphasis on productive efficiency in this industrial system, farmers faced problems of overproduction, which placed downward pressure on prices through much of the twentieth century (Fite and Reese 1965). After the Second World War, the U.S. sought to address the problem of overproduction by exporting surplus commodities to the developing world. The claim was that one export policy could solve three problems: 1) overproduction in the U.S., 2) hunger in the developing world, and thus 3) undermine the spread of

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[5] Under the title of the Country Life Movement, major manufacturing and financial businesses united with representatives from the land-grant colleges to reform rural institutions to enable industrial agricultural production. The United States was becoming more industrialized during the nineteenth century, and national leaders realized that agricultural production needed to be intensified and coordinated if it was to supply the growing urban centers with food (Scott 1998: 286-287; Danbom 1979).

communism. As economic problems emerged in the 1970s, the Nixon administration hoped to expand agricultural exports to offset the decline in exports of manufactured goods (Constance *et al*. 1990). At the same time, transnational agribusinesses were pushing a global sourcing strategy, striving to find lower-cost raw material supplies (e.g. unprocessed grain and meat) in other parts of the world (Constance and Heffernan 1991). They were also advocating trade liberalization to facilitate global sourcing, as well as commodity dumping. However, the U.S. had insisted on the protection of agriculture under the General Agreement on Tariffs and Trade in 1955. Since this protection was inhibiting globalization, the U.S. suspended the supply constraints and began promoting trade liberalization under the Uruguay Round of the GATT in the 1970s (McMichael 1996).

International currency developments further eroded the ability of the U.S. to defend its national agricultural system. McMichael (1996: 115-117) describes how the formation of the Organization of Petroleum Exporting Countries (OPEC) cartel created turmoil in financial markets, which in turn, fostered the trend towards globalization. Transnational capital flows had been constrained by the Bretton Woods gold-standard agreement until the Nixon administration broke from this policy. The ensuing floating currency markets greatly reduced the capacity of nation-states to regulate capital flows, and enabled transnational corporations to seek out new production and consumption markets. As OPEC raised oil prices, the industrialized world experienced a sharp rise in inflation, following the transfer of "petrodollars" from the industrialized world to the OPEC nations. The OPEC countries deposited this money in "offshore" banks which lent the money to developing nations. This injection of capital in developing countries gave transnational corporations an added incentive to pursue global sourcing.

These same global economic conditions which led to the mass-production/mass-consumption system crisis in the manufacturing sector in the 1970s, also laid the foundation for the threats to the U.S. agricultural system in the 1980s (Kenney *et al*. 1989). Bonanno and Constance (2001) describe how transnational agricultural corporations, such as confinement hog operations, are able to use global sourcing to pressure and manipulate farmers/laborers, environmental citizen groups, and governments. Transnational corporations force nation states to focus on international competitiveness over employment and to emphasize increasing production over citizen rights (Jessop 1999). But state structures have had to be changed to enable this kind of coercion.

In this paper, I argue that the initial restructuring of the agricultural system in the U.S. occurred in the 1980s, and that policy makers responded to the agricultural conditions in the early 1980s with policies consistent with the New Deal. For example, policy makers quadrupled farm subsidies (McMichael 1996: 164). However, since the New Deal programs contradicted the globalization project and the transnational agribusiness interests, policy makers needed a "crisis" to justify an overhaul.

METHODOLOGICAL APPROACH

As noted above, Hilgartner and Bosk (1988) assert that when analyzing how a social problem is constructed, it is necessary to locate the institution where the problem is being defined and how that institution may privilege some groups over others in the effort to generate a definition and solution to the problem.

A number of institutions could serve as the focus of an analysis of social problem construction in the U.S. For example, Lyson (1986) examined how public opinion and the popular press came to view economic conditions for farmers in the 1980s. However, these subjects of study are relevant because of their influence over government policies. The U.S. government is the most important institution to study when attempting to understand the social construction of problems in agriculture because it creates and modifies the public policies that define the rights of farmland owners and tenants, generate and regulate commodity markets, and set the rewards for appropriate behavior and penalties for unlawful behavior in the agriculture and food system (Halcrow *et al*., 1994: 205).

According to Halcrow, *et al*., (1994: 35-38), there are two basic elements to the public policy process: policy formation and policy implementation. For this paper, I focus only on the process of policy formation, and concentrate on the discussions held in Congressional subcommittees, committees, and joint committee hearings, because it is in these forums where the reasoning behind a policy is expressed and where policy makers field reactions from various interest groups and administrative representatives.

Each House of Congress has an agriculture committee, and there are eight subcommittees within each agricultural committee (Knutson, *et al*., 1990: 46). One of the other committees where agricultural policies were debated was a Committee of the Senate and the House of Representatives, the Joint Economic Committee and its subcommittee, the Subcommittee on Agriculture and Transportation. In fact, the Joint Economic

Committee's hearings, entitled *Towards the Next Generation of Farm Policy*, were where many of the significant issues facing agriculture were discussed and the reasoning for solutions were outlined.

To explain how the "crisis" was eventually defined, I analyze congressional hearings surrounding the 1985 Food Security Act in relation to USDA data on agricultural production and export conditions in order to determine how policy makers came to define the problems facing agriculture and recommend solutions. Examining how policy makers discuss the agricultural conditions during Congressional committee and subcommittee hearings reveals whether or not the definitions and solutions of transnational agribusinesses become more prominent than those of farmers.

The major data source for my analysis is the collection of transcriptions of all the congressional hearings leading up to the passage of the 1985 Food Security Act. I recognize that any qualitative analysis is susceptible to bias regarding what to include and exclude, and that preconceived notions might influence my interpretations (Neuman 2000: 436). Since policy makers discussed a wide range of issues, often in great detail, it simply would not be possible to report everything. Therefore, some criteria needed to be constructed for sorting and coding the data. As I read the transcriptions, I took note of any reference that speakers made to a crisis, or to the need to make dramatic changes in agricultural policy to rectify a crisis. These references were then coded according to any emphasis on farmers and farming conditions (i.e. 'farm crisis'), or on broader agricultural concerns, including the national economy, collateral agricultural businesses, or international competitiveness (i.e. 'agricultural crisis').

The challenge was to determine the extent to which policy makers were using farm rhetoric even though they were actually referring to agricultural system conditions. Knutson, *et al*., (1995: 216) offer a number of conditions that tend to be associated with a farm crisis: low farm income, overproduction, declining farm numbers, high debt-asset ratio, market instability, and market structure. If policy makers focus on such problems, it would be accurate to say that they recognize a farm crisis. In contrast, if policy makers construct the problem to be one of international economic competitiveness, and if they raise concerns about how efforts to improve farmer income would affect agribusinesses and economic competitiveness, it is more accurate to state that they are defining the problem as an agricultural system crisis. Furthermore, determining which actors are making the arguments that policy makers come to adopt assists in determining the relative power of competing actors to influence the definitions.

To address the issue of preconceived notions that might have influenced my interpretations, I used USDA data to provide internal validation for the comments made by policy makers and other participants at the hearings. And by comparing assertions made during congressional hearings to the USDA data, I was able to evaluate the accuracy of my interpretations.

DATA AND ANALYSIS

Context and Cast of Characters

After describing how three classes of farmers (sharecroppers and farm laborers; family farmers and small landowners; and capitalist farmers and plantation owners) competed to shape New Deal farm policies to suit their own unique interests, Gilbert and Howe (1991) conclude that the state structures were not captured by any particular social group. They demonstrate how each class of farmers scored some policy victories in the forms of production controls, long-term agricultural planning, and rural social reform. But only production control policies survived in the long term, guaranteeing that commodity and soil conservation programs favored the larger and higher output capitalist farmers over laborers, sharecroppers, and small farmers.

After these New Deal programs were established, U.S. farm policy was set through a process of competing farm interest groups promoting legislative specifications in a series of Senate and House of Representative agricultural committee and subcommittee hearings. Early drafts of legislation were presented in these settings, and various farm and commodity groups (falling into the categories laid out by Gilbert and Howe (1991)) attended hearings to advocate their specific interests (Halcrow *et al*. 1994). This tradition changed in the 1980s. The first difference was that the Joint Economic Committee held hearings on the agricultural situation. It was a mark of the importance of the agricultural situation in the 1980s that the JEC, a body representing both Houses of Congress, would supplement the work done in the agricultural committees and subcommittees in the House and Senate. The second difference concerned the composition of the list of interest groups attending the hearings.

By the 1980s, the list of groups competing for control of the state structure had expanded. The American Farm Bureau Federation, the largest farm lobby group in the United States and the representative of the large capitalist farming interests, was weakened by the financial problems facing farmers. This created space for the entry of smaller farm organizations which tended to support broader New Deal policies. There were also new groups on the list. Environmental and conservation organizations began to shift their interests from issues of pollution and waste to the effect of agriculture on soil and water. And with an increased awareness of how agricultural policies affected the supply and marketing of agricultural products, agribusinesses and related industries became more aggressive in agricultural policy hearings (Browne 1988: 223-227).

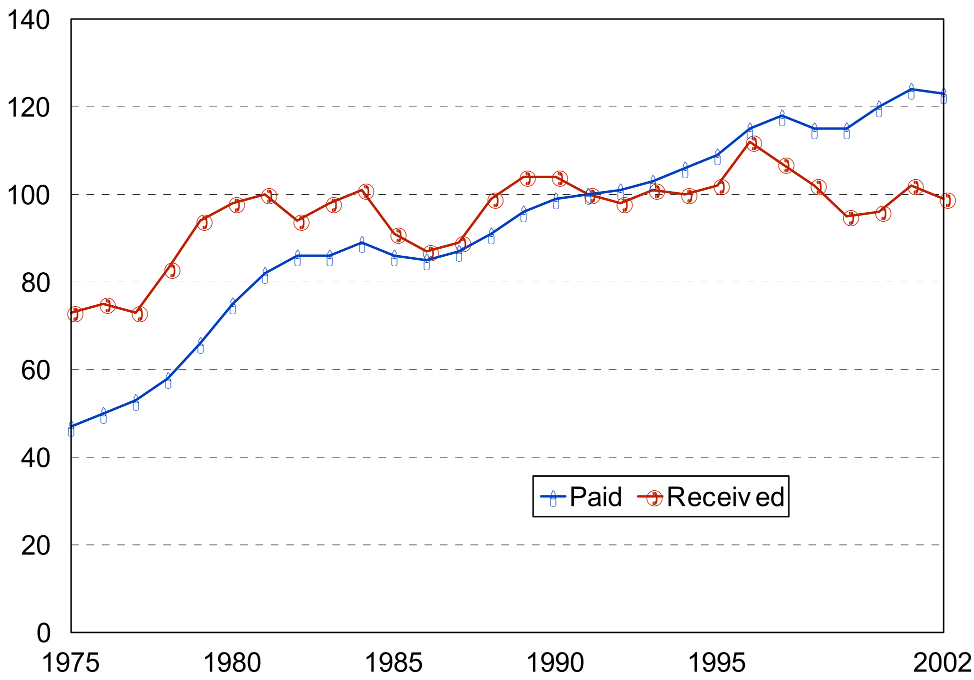
The Joint Economic Committee (JEC 1984: v) summarized the situation that Browne describes: “Future farm policy will be determined largely by those having control over the policymaking agenda….Clearly farmers are not only outnumbered, but also represent only a small share of total food costs….Because of dramatic changes in the agricultural, domestic and international economies, the farm policy agenda will be an ambitious one, certainly challenging traditional farm policies and perhaps resulting in a radical departure from the status quo.”

The Initial Implementation of New Deal Programs

Policy makers did have a heightened interest in boosting farm income in the early 1980s, which reflected an initial farm crisis perspective. They noted that the Nixon administration’s efforts to increase production in the 1970s were so successful that farm production was well above demand by 1982. They also recognized that decreasing land values undermined the farm debt-asset ratio. Since a bumper crop in 1983 would have led to plummeting commodity prices, and a subsequent dramatic decline in farm numbers, the USDA implemented acreage set-aside programs in 1981 and 1982. In 1983, the USDA responded with the Payment-in-Kind (PIK) program, whereby farmers were given certificates which they could trade for surplus commodities or cash in exchange for agreeing not to grow surplus commodities (Knutson, et al., 1995: 277).

However, the early farm crisis focus began to shift to broader agricultural concerns as the years passed. If the goal had been merely to slow farmer exits, policy makers could have declared success after implementing the acreage set-aside and PIK programs. Farmers had reduced acreage by 50 million, leading the USDA to expect grain prices to rise dramatically between 1983-1984. A 1983 drought reduced stocks even more, adding another boost to farm income (JEC 1984: 22-23). Chart 2 shows that prices received by farmers increased between 1982 and 1985, and prices paid by farmers leveled off, suggesting that the policy makers’ evaluations of the New Deal programs as successfully improving farm conditions were accurate.

Chart 2: US Farm Price Index 1975-2002



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The Policy Debate Shifts

Why would policy makers decide to end the set-aside and the PIK programs? Even if it was considered a temporary measure, and the 1983 drought did reduce production to lower than expected levels, it met its goals "of putting farmers on a sounder financial footing" (Lesher 1984: 48). Why terminate a program that was working? Policy debates reveal it is because there was a growing recognition that the efforts to help farmers had broader effects than merely improving farm incomes. As the Joint Economic Committee put it, "Farms and agriculture are no longer isolated and unaffected by what happens in the rest of the economy" (JEC 1985: 33). In fact, what unfolds is a realization that holding down production to improve farm incomes negatively affected agribusiness.

Policy makers offered many reasons for abandoning the PIK program. They claimed that the farmers' enthusiastic response made the program more expensive than originally estimated. And some of the farmers benefiting from the program seemed less deserving of receiving government subsidies; since there were no acreage limits for entry into the program, the wealthiest farmers were often receiving the largest payments. Stories about farmers receiving multi-million dollar payments upset taxpayers and policy makers (JEC 1984: 22-23). However, it was the effect that production controls had on the agricultural system that became the dominant concern expressed in policy hearings. Agricultural-input company profits were hurt when farmers cut production; commodity processors and livestock producers did not appreciate the higher prices that accompanied lower supplies of grain; lower production put an upward pressure on domestic food prices; and lower production meant that the United States would forfeit control of international markets (JEC 1984: 23-24). The JEC (1984: 24) summarized the situation: "The problems of farm policy have spilled over to taxpayers and consumers as well, and their interests in farm policy are equally well defined. Control over farm policymaking agenda is now a serious political contest with significant long-term implications."

Policy makers showed hints of an agriculture system perspective even before they decided to terminate the PIK program. An emphasis on "debt restructuring" intended to "bailout" the "debt-ridden farmers" (Harl 1990: 51) in the early 1980s, revealed a concern for the effects of the farm debts on agricultural lenders as much as on the farmers *per se*. But bank failures continued to increase between 1982 and 1987 (Harl 1990). Between 1981 and 1987, there were 638 bank failures, and just over one-third were agricultural banks (Albrecht and Murdock 1990: 132). Because the PIK program did not slow the rate of bank failures, the Federal Government officially bailed out the Farm Credit System with the 1988 Agricultural Credit Act.

Agribusines Make Its Case

Since the PIK program did not improve the farm credit situation and was costly to taxpayers, it had few supporters when agribusiness companies attacked it. Appearing before the House Committee on Agriculture in 1985, Gary D. Meyers of the Fertilizer Institute, which represented 95% of the makers, dealers and distributors of fertilizers, stated that the PIK program caused a 23% drop in their product sales and a US$2 billion loss in profits. He argued that the government ought to be enhancing export markets instead of limiting production (HCA 1984: 247-248). Barry Jarrett of the National Fertilizer Solutions Association, which represented 1300 fertilizer companies across the U.S., reiterated Meyers's point.

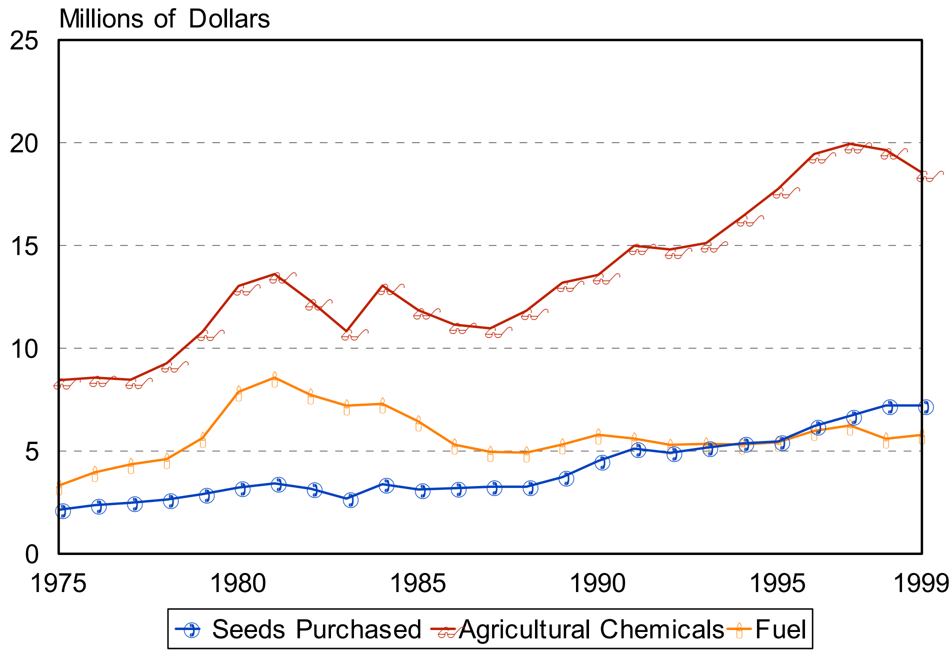
> As a fertilizer retail dealer, we are in business to make a profit. We recognize that the best way to insure this in both the short and long term is to make certain that our farmer customers are profitable...We sincerely believe that the future of the U.S. farm program must be profit and growth oriented, for there is no such thing in agriculture as status quo. Under a no-growth program, our Nation's most productive segment is destined to give up its vital role in feeding all of us and providing jobs for hundreds of thousands of American workers. We believe, without a doubt, that the key to profit and growth for U.S. agriculture is in aggressive export market expansion and development program (HCA 1984: 249).

Although they couched their arguments with rhetoric about supporting farmers, these agribusiness representatives depict farmers as their customers in a broader agricultural production system. And they view supply-control measures as a threat to the proper functioning of that agriculture system because it undermines input industry profits.

Chart 3 reveals the reasons for the concerns. After a steady increase in dollars spent on agricultural chemicals, seeds, and fuel, there was a drop in those sales in the early 1980s. Fuel expenditures never did rise again, but seed expenditures began to rise at the end of the decade. Expenditures on chemicals rose sharply after 1987. This is most likely because the 1985 Food Security Act sought to solve the soil erosion problem by promoting conservation tillage practices, which relied upon chemicals (Glenna 1999).

Agricultural commodity processors joined the input agribusiness companies in calling for an end to supply controls and the expansion of export markets. Appearing before the Joint Economic Committee in 1984, Vernon McMinimy of A.E. Staley Manufacturing Co. claimed that his corn and soybean processing company is "dependent on a reliable and reasonably priced long-term supply of corn and soybeans for our raw material source. Therefore, it's very important for us that the farm program of 1985 contain reasonable programs for those products" (JEC, 1984: 162). "Reasonable" here refers to programs that would increase the production of corn and soybeans. This comment is also important because it is an explicit reference to farmers as raw material suppliers.

Chart 3: Farm Production Input Expenses 1975-1999



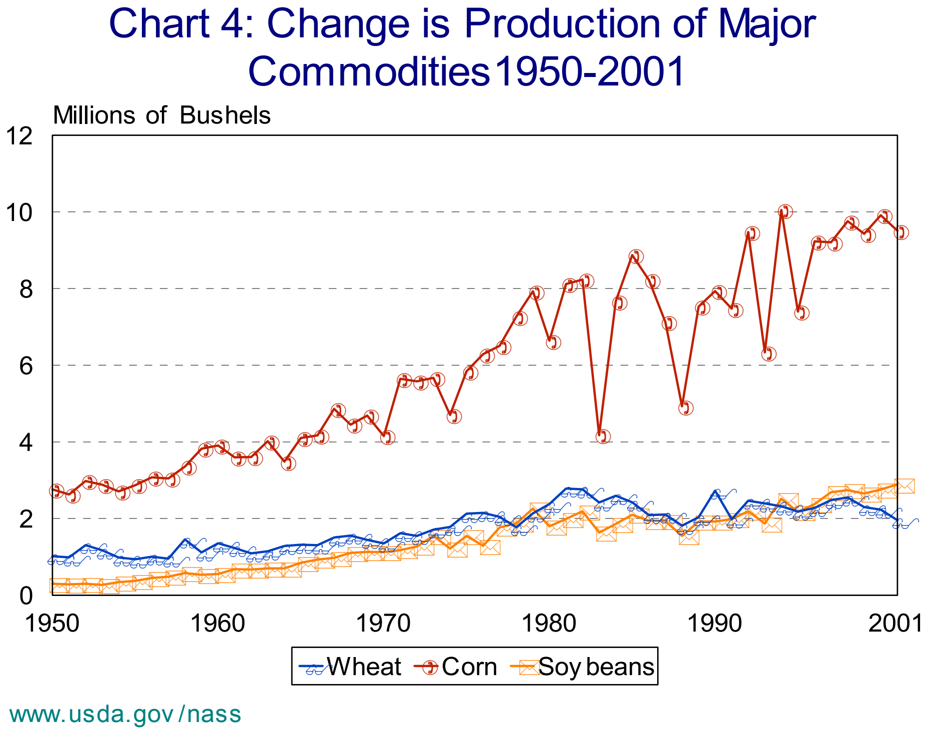
USDA Agricultural Statistics

John Reed, vice-president of Archer-Daniels-Midland Co., agreed that they needed a steady supply of raw materials. But recognizing that increasing production might hurt his raw-material suppliers, he offered a bold recommendation for how to maintain farm incomes.

> We're not arguing that the economic needs or the small farmer should be ignored, but I think we would argue that perhaps it's time to separate the welfare component, if you will, of the price support system from the loan itself and provide the welfare component through some form of direct payment to the people for whom it is deemed necessary to provide support, either in the form of target prices or in the form of some other kind of direct payment program. Let the loan be at levels which will keep us competitive in the export market and meet the income needs of the small farmers in another way (JEC, 1984: 166).

This comment reveals that ADM viewed the farmer as a laborer in the national agricultural system and the USDA as its manager. To standardize the relationship and smooth out the bumps in the supply of raw materials, he recommended that the USDA pay farmers directly for the service of supplying raw materials to his company. Such a strategy would foster the continued dominance of United States agricultural export companies in international markets.

Chart 4 shows the reasons for these commodity processors' concerns. After steady increases in wheat, corn, and soybean production over the previous three decades, output declined in the early 1980s. In 1983, corn production dropped to 1970 levels. Such production fluctuations in raw material supplies, with the accompanying fluctuations in prices, were not in the interests of the commodity processing business.



ADM's ideas for maintaining an oversupply of raw materials while also stabilizing raw material suppliers were listed as policy options in a congressional report under the headings "Revenue Insurance" and "Income Insurance" (JEC 1984: 31-33). Although these specific policies were not fully adopted until the 1996 Farm Bill, the conception of the agricultural system that lay behind the idea of separating the goal of maintaining farm incomes from the goal of maintaining an oversupply of raw materials became part of the political discourse in the 1980s. In the 1996 Federal Agriculture Improvement and Reform Act, policy makers replaced target prices, deficiency payments, and acreage reduction programs with loan deficiency payments, non-recourse marketing assistance, and "production flexibility contracts," which allowed farmers to receive deficiency payments without concern for base acreage (Public Law 104-127, Section 111). A precipitous event in the formation of the 1996 law was a study which argued that opening 38 million of the 65 million acres of land in Acreage Set Aside and Conservation Reserve programs and adopting the flexibility contracts would increase grain supplies, which would benefit farmers and the U.S. economy. That influential study was conducted by the National Grain and Feed Association, which represented "over 185 companies, most of whose profits are geared substantially to volume of commodities handled or processed…" (Schertz and Doering 1999: 4). Of course, claiming that increasing grain supplies would benefit farmers was not plausible, since such increases would almost certainly depress prices. Perhaps that is why the study *omitted* comparisons of farm prices and government expenditures if the 38 million acres were not released (Schertz and Doering 1999: 5).

The important point here is that the agribusiness coalitions and agricultural-system discourse that would lead to the elimination of many New Deal farm policies in 1996 originated in the 1980s. It was during the 1980s that policy makers began debating how to manage the system of outsourced production so that agribusiness companies would continue to dominate in the international markets. The challenge became one of maintaining enough outsourced producers who could purchase agricultural inputs, provide a return on investment for agricultural lenders, and overproduce cheap raw materials, even though achieving these goals would drive many farmers out of business.

State and Agribusiness Interests Converge

Policy makers expressed their interests in wanting agribusiness profits to increase. Chairman of the JEC Senator Jepson stated,

> With agriculture generating 20 percent of this country's gross national product, one-fifth of its jobs, accounting for $1 trillion in assets, and as our largest positive contributor to our balance of payments, there is no question that agriculture and its associated industries is a major and dominant sector of the U.S. economy (JEC 1983: I, 2).

But portraying this as an example of a captured state would be too simplistic. Gilbert and Howe's (1991) portrayal of how groups compete to convince the policy makers that the state's goals are the same as their goals presents a more accurate representation of the process.

I have already noted that the heightened interest on the part of agribusiness companies represented a new variable in the farm policy debates. Another important change occurred when the state began pressing for more international markets. Increasing American agricultural exports was the Nixon Administration's strategy for handling the surplus production problem without imposing production controls, thus satisfying both farmers and agribusiness. Increasing agricultural exports also served as the one bright economic light in the otherwise dim economic conditions of the 1970s, because expanding markets would help to offset the trade imbalance, while also containing the spread of communism by distributing cheap food to developing countries (Constance, *et al*. 1990: 57). Thus, declines in exports not only upset agribusiness companies, but also the representatives of the state. This common interest on the part of agribusiness and the state became the central topic in deciding to abandon farm crisis remediation measures.

South Dakota Senator James Abdnor's response to news of a drop in U.S. exports during the early part of the 1980s reveals the state's interests. A *Wall Street Journal* article appeared on the morning of the opening day of Joint Economic Committee's "Toward the Next Generation of Farm Policy" hearings, and that article became the centerpiece of the hearings:

> By cutting prices and taking advantage of political discord between the U.S. and some of its customers, other grain exporting nations are muscling in on the traditional U.S. dominance in the world's farm trade. The U.S. share of the world trade in grains, its biggest farm export by far, has fallen to about 53% this year from a high of 60% in 1980. The U.S. faces rough sledding in years to come (Shellenbarger & Birnbaum 1983: 1).

Blaming price-support programs and aggressive international competition for the decline, the article argued that export losses threatened the entire agricultural system because "agriculture, more than any other industry, is hooked to exports."

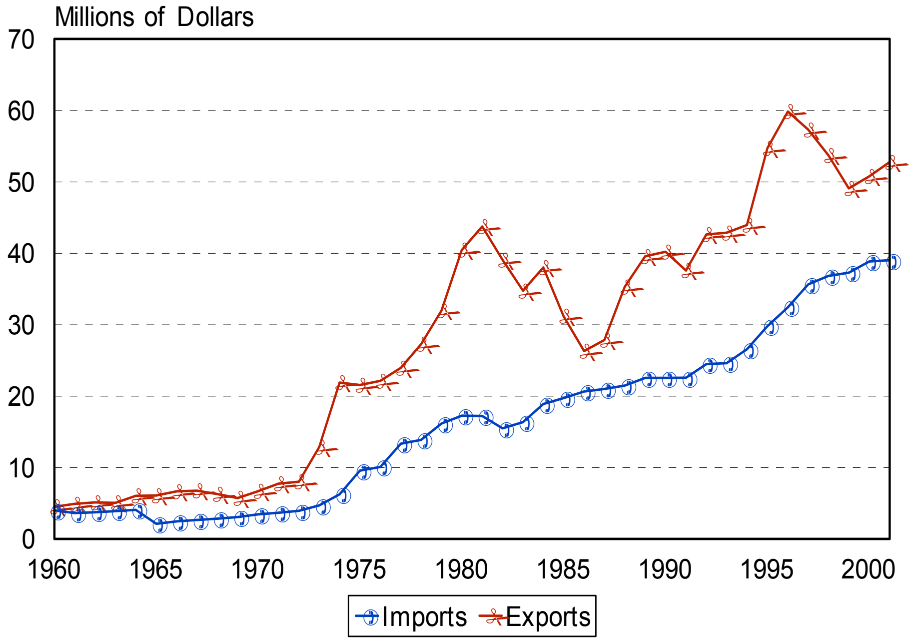
Noting the "great coincidence" that this article appeared on the morning of the opening day of hearings, Senator Abdnor criticized the government's attempt to increase commodity prices through supply-control measures, because other countries simply respond by increasing their production. He asserted, "Agriculture recovery programs cannot be solely supply side...." (JEC 1983: I, 4). Chart 5 reveals that United States agricultural exports dropped sharply in the early 1980s and that they did not recover until 1986.

Secretary of Agriculture Block responded to Senator Abdnor's concerns by stating that he intended to drop the PIK program even though "The PIK program is expected to add $2 to $3 billion to net farm income…" The reason Secretary Block offered for this policy change was that "We are in the business to produce in agriculture in the United States" (JEC 1983: I, 8). Since Secretary Block admitted that the PIK program had helped farmers, he had to offer an ideological argument for ending it. He asserted that supply control is flawed because it "…rewards, in my opinion, inefficient producers, penalizes the efficient producers, locks in production patterns and technology, and assures that the agricultural system does not adjust to change" (JEC 1983: I, 10).

Secretary Block urged Congress to end production-control policies and recommended continuing the "market-oriented approach" intended to increase production: "To do this, we must establish policies that assure the farmer feels the market, allows the farmer to receive accurate and timely market signals and to be free to react accordingly". He confessed that the drive towards greater efficiency and market susceptibility would lead to a drop in farm numbers. "There will be some come and some go. Some would prosper and some would not—depending on where we would put the support level and put the safety net. But that's part of the American system. The American system provides the opportunity to take a risk and the opportunity to profit if successful". Recognizing that farm interest groups would not like this position, he stated, "We must all rise above the pressures of constituencies that place demands on us on a daily basis. We must do the right thing for agriculture....To preserve the most efficient agriculture in the world is our challenge" (JEC 1983: I, 12).

Secretary Block's comments reveal an agricultural system crisis perspective. He claimed that the system was designed to promote production, which benefits the agribusiness companies that employ and feed people, even though it also generates social costs in the form of declining farm numbers. Perpetual farm crisis is acceptable within this system, as long as productive efficiency is preserved, which explains why the government did not consider the three previous decades to be a crisis even though farm numbers declined more steeply. The government's responsibility in this system was to manage the farm numbers and farm production to enable the proper functioning of the broader system (JEC 1983: I, 9).

Chart 5: United States Agricultural Imports and Exports 1960-2000



USDA Agricultural Statistics

Some policy makers dissented from this approach. For example, New York Representative James Scheuer challenged Secretary Block's decision to ignore information about the benefits of small-scale, organic, and alternative-energy farming (JEC 1983: I, 38). And farm advocacy groups continued to press for supply-control measures (JEC 1984: 26). However, the policy makers who shaped the policy agreed that any efforts to manage social and environmental consequences associated with agriculture would only be considered if those policies enhanced production (Glenna 1999: 151).

The USDA data support this assertion. Charts 3 and 4 reveal that purchases of agricultural inputs and commodity production increased in the late 1980s, and Chart 5 reveals that agricultural exports also began to increase. Furthermore, if the crisis had been a farm crisis, we should see the decline in farm numbers level off in 1987, and farm expenses and farm incomes grow closer together. Although Chart 2 reveals that farmers did receive a slight increase in prices received, the prices they paid also increased steadily. And Chart 1 reveals that farm numbers continued to decline into the 1990s. Policy makers called the 1980s a farm crisis and called the 1985 Food Security Act a solution to that farm crisis. But that is a misnomer. It is more accurate to say that the policy makers recognized and responded to a system crisis.

CONCLUSION

Buttel *et al*. (1990) recognize a need to connect the 1980s farm crisis and the subsequent restructuring efforts to the crisis of accumulation in the world economy. The U.S. policy makers' response to agricultural conditions through the 1985 Food Security Act reveals a connection. The mass production/consumption crisis of the 1970s combined with the growing power of transnational corporations to use global outsourcing techniques forced nation-states to focus on international competitiveness over employment and to emphasize increasing production over citizen rights (Jessop 1999; Bonanno and Constance 2001). This paper reveals how the United States government came to share common interests with the transnational agribusinesses in maximizing exports in the 1980s and changed the policy framework to promote those interests. Policy makers generated a *rationale* to explain how it was in the national interest to sacrifice natural resources and farm livelihoods to enhance international competitiveness. Calling this shift a radical effort to rectify a farm crisis in the 1980s masks the convergence of state and transnational corporate interests.

The farm crisis rhetoric implied that policy makers were responding to the plight of a large group of farmers who supply much of the labor, management, and capital in the agricultural system. Although farm numbers were not declining as sharply as they had in past decades, farmers were hurting in the 1980s. Heffernan and Heffernan (1986) describe how foreclosures left many farm families socially isolated, unemployed, and often facing long-term poverty. Farmers needed assistance in the 1980s and they received some assistance early. But as the decade wore on, it became clear that the policy makers were less concerned about farm numbers and the survival of the family farm than about the agricultural system. Policy makers decided that the traditional policies for protecting farm incomes threatened the agricultural input and processing industries that linked American farmers to international markets. Despite the rhetoric about helping farmers, policy makers abandoned policies that had improved farmer economic conditions and commented on the need to sacrifice farm livelihoods in order to maintain the agricultural system in the globalizing economy. Policy makers constructed and responded to an agricultural system crisis, not a farm crisis.

Early studies of the global economy predicted the state's eventual demise, but that prediction has given way to a recognition that the state will persist, albeit in a transformed existence (Weiss 1997). Scholars now claim the need to move beyond the simplistic state-centered vs. captured-state theories in order to begin to characterize how the state-society-market relationships are renegotiated at the local, national, and global levels (O'Riain 2000). This analysis of the construction of the 1985 Food Security Act reveals how the actors at the national level restructured the state's responsibilities to its citizens and to agribusiness companies within the globalizing economy. It represents a watershed in United States agricultural policy to the extent that it marked the emerging prominence of the transnational agribusiness in agricultural policy debates, the beginning of the end of New Deal farm policies, and the rise of a neoliberal ideology in favor of limiting state intervention to enable farmers to "feel the market." When policy makers agree with agribusiness that farm livelihoods need to be sacrificed for the sake of global competitiveness, it is inaccurate to say policy makers addressed a farm crisis.

This analysis may offer insights for examining how the globalization project unfolds in developing countries. Many liberal economists and Marxists have overlooked important changes in the restructuring of agriculture in industrialized societies, such as the United States, because of assumptions that agricultural production is premodern or preindustrial. Similar biases may prevent researchers from recognizing the multiple ways that production processes in developing countries might be integrated and exploited in the globalizing economy. Recognizing how transnational agribusinesses and other corporations penetrate production processes in various ways while national policy makers foster these processes as they pledge to enhance competitiveness and efficiency, may help to overcome these biases.

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