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AGRICULTURAL POLICY: THE 1950'S IN RETROSPECT¹

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I have chosen to review a phase of the recent history of agricultural policy which I believe is too little discussed, but which has important implications for the next decade of work in public policy education.

The tendency of the human mind to reject or blot out unpleasant memories is a well-known psychological phenomenon. Moreover, when things have gone badly, the tendency is to look elsewhere for someone to take responsibility for the turn of events. Nor does the mind of the agricultural policy specialist appear exempt from this reaction. Therefore, even though the history of the last decade is recent enough that we all have participated actively in it, we probably ought to review the agricultural policies of the last decade to make certain we are not rejecting the facts as they actually were recorded at the time.

FARM POLICY IN THE 1950's: A SELECTIVE VIEW

Agricultural economists and farm leaders often say that the trouble with farm policy over the past few years and today is too much politics. They say, "The economics of the farm problem are clearly understood. The problem is a political one because politicians will not follow economists' advice."

Following this line, what have the politicians done? First, they have prevented farm prices from declining, thereby stifling consumption and encouraging excessive production. In other words, farm prices have been maintained too long at high levels that were appropriate only to a wartime economy. Also, politicians want to maintain too many people in agriculture. This, of course, is understandable because many politicians directly involved with agricultural policy come from areas in which their constituents are predominately farmers. Thus, a reduction in the number of farmers constitutes a potential threat to the political existence of these farm policy makers. Also, politicians are said to have steadfastly refused to bring about reductions in the acreage and output of crops in surplus.

Thus, it is asserted, politicians have not faced up to the major

¹Helpful comments were made by L. L. Boger, James T. Bonnen, G. L. Johnson, and L. W. Witt.

problems of American agriculture, despite the continued and long-standing advice of economists as to the seriousness of the problem. Statements such as the foregoing undoubtedly would win assent from many of a sophisticated group such as the present audience, whose major concern has been farm policy over the past decade, and much of the public would certainly be in general agreement. However, before agreeing to this reading of history, let us look at the record regarding the points I have mentioned.

First, have the price-support programs really maintained farm prices at levels substantially higher than could be expected under full employment? Table 1 shows the highest percentage of parity and the highest dollars and cents level at which the major supported commodities have been supported and the most recent year of those levels. It also shows the 1960 support level in terms of percentage of parity and absolute prices. Except for tobacco and wool, every price support level is currently well below its highest level in both percentage of parity and actual price. The average price received by farmers in July 1960 was 23 percent below the February 1951 high, and the parity ratio was 35 percent below its October 1946 high. Congress was told that farm prices and incomes could not be expected to be maintained at the extraordinarily high levels which existed during World War II and the immediate postwar period. And the hard facts are that Congress has not maintained price supports at their wartime or postwar levels, nor have farm prices remained even close to the peaks reached during the postwar period. Moreover, price supports currently are below the price levels which economists predicted would clear the markets. Thus, a good deal of downward price flexibility has occurred in American agriculture, and politicians concerned with farm policy have understandably been reluctant to increase the rate of decline.

The second point often made is that politicians have attempted to maintain the number of people in agriculture. Many Congressmen may have given lip service to the maintenance of a maximum number of persons in American agriculture, but the actual record is all the other way. During the period from 1950 to 1959, the farm population declined by about four million. The rate of net outmigration since 1950 equaled that of the 1940-50 decade and was nearly three times that of the 1930-40 period.² If politicians have attempted to maintain the number of people in agriculture, their efforts have been spectacularly unsuccessful.

Our memory regarding attempts to reduce output also may

²*Farm Population, Estimates for 1950-59*, Agricultural Marketing Service, U. S. Dept. of Agriculture, AMS-80 (1959), February 1960, p. 4.

TABLE 1. HIGHEST PRICE SUPPORT LEVELS FOR FARM PRODUCTS
AND CURRENT PRICES RECEIVED BY FARMERS

Commodity	Highest Support Levels and Most Recent Year Supported at That Level ¹		Present Support Levels ²		Prices Received August 15, 1960 ³	
	Percent of Parity	Dollars	Percent of Parity	Dollars	Percent of Effective Parity	Actual Price
Wheat, bu.	91 (1953)	2.24 (1954)	75	1.78	72	1.71
Cotton, ⁴ lb.	100 (1945)	31.70 (1955)	75 & 60	28.97 & 23.18	84	32.30
Corn, bu.	90 (1954)	1.62 (1954)	60	1.06	66	1.07
Rice, cwt.	91 (1954)	5.04 (1952)	75	4.42	73	4.30
Peanuts, lb.	90 (1955)	.122 (1955)	79	.1006	75	.0965
Tobacco (burley), lb.	91 (1955)	48.1 (1956)	—	57.2	—	—
Butter, lb.	90 (1953)	.692 (1953)	77	56.6	80	58.8
Manufactured milk, cwt.	90 (1952)	3.85 (1952)	77	3.06	—	3.12 ⁵
Oats, bu.	85 (1954)	.80 (1953)	60	.50	69	.578
Rye, bu.	85 (1954)	1.43 (1954)	60	.90	58	.853
Barley, bu.	85 (1954)	1.15 (1954)	61	.77	64	.801
Soybeans, bu.	125 (1944)	2.56 (1953)	64	1.85	69	1.99
Sorghum, cwt.	83 (1944)	2.43 (1953)	61	1.52	60	1.51
Wool, lb.	141 (1943)	.62 (1956)	86	.62	55	.41
Flaxseed, bu.	160 (1947)	5.75 (1948)	62	2.38	73	2.80

¹Price Programs, Agricultural Information Bulletin No. 135, April 1957.

²Agricultural Prices, various issues, 1960.

³Agricultural Prices, August 1960, pp. 4 and 5.

⁴Based on middling $\frac{3}{8}$ inch cotton.

⁵July 15, 1960.

not be completely accurate. For instance, the acreage planted to wheat declined from 84 million acres in 1949 to 58 million acres in 1959. The reduction in cotton acreage planted has been equally striking, having declined from the peak 28 million acres in 1951 to 15.5 million acres in 1960. Total cropland harvested declined from 352 million acres in 1949 to 325 million in 1959, again a very significant reduction.

Actually, most of the political policies developed in recent years have been moves to reduce prices and to reduce the acreage of surplus crops. The failure of these moves to achieve adjustment in American agriculture probably was due to a serious underestimation of the magnitude and nature of the problem rather than the unwillingness of politicians to follow the advice they received. Therefore, perhaps we ought to take another look at farm policy in the 1950's—a look that will be less gratifying for those who have had some hand in policy discussions, but which may help us in our task for the next decade.

ANOTHER VIEW OF FARM POLICY IN THE 1950's: INADEQUATE ANALYSIS AND POOR ADVICE

If we look at farm policy in the 1950's as more than a political problem, our selective memories appear to have done a pretty good job of ignoring our record as policy advisors. In retrospect the farm policy of the 1950's seems to have been marked by four serious problems. First, policy analysts misjudged and underestimated the nature and magnitude of the problem in American agriculture. Second, agricultural economists failed to agree upon the fundamental concepts and the fundamental structure of the agricultural economy. Third, a tendency to oversimplify a complex heterogeneous industry, perhaps because we judge people to be less able than they are, led to recommendations of single programs or approaches at a time when many approaches were needed. Finally, we have failed to specify the criterion used to measure the performance of present and proposed programs when we evaluate them.

The position taken by the majority of agricultural policy specialists since World War II regarding the farm problem can be divided roughly into three phases. An examination of these phases and the statements made by some of our most distinguished colleagues during each of them will help us understand Congressional action in dealing with the farm problem.

The first phase of farm policy analysis was the "farm problems are demand problems" or the "full employment means agricultural

prosperity" phase. This was part of our general preoccupation with Keynesian economic policies to maintain full employment in the early postwar period. It was marked by statements such as that of one of our respected colleagues who said:

Discounting abnormal war needs, I believe it can be demonstrated that American agriculture, as far as food production as a whole is concerned, is not over-expanded relative to the food demand generated by a prosperous full-employment economy at home and a reasonably active world trade.³

In 1948 the Committee on Agriculture of the House of Representatives commissioned a large-scale study of long-range agricultural policy to help provide a framework for its postwar policy deliberations. The summary statement of the study included the following.

If we maintain a relatively high and stable level of employment, demand would apparently increase fast enough in relation to available supplies of farm products to maintain the general level of prices received by farmers about at parity (as now calculated), although prices of individual farm products would have different trends and would fluctuate considerably from year to year.⁴

The heavy Commodity Credit Corporation purchases of feed grains, oilseeds, cotton, and wheat from the 1948 and 1949 crops went largely unnoticed as the Korean War drastically reduced the surplus stocks held by the CCC at the beginning of the Korean War. Thus, in 1952 many people felt that agriculture was nearly in balance, with the possible exception of wheat and cotton. One economist said:

Are the earnings of capital and of human effort devoted to farming in most of our commercial areas on a par with earnings to comparable factors in the nonfarm production activities in the United States economy? Here the answer I suggest is yes. This means, for example, that an Iowa (Dakota, California, or New York) farmer who has, say, \$90,000 of his own assets committed in his farm, earns about 7 percent on these assets and about \$3,000 for his work and another \$1,500 for his management. A total of \$10,800 personal income. Is he poor? Obviously, no. Are these particular rates of return approximately in line with existing economic conditions? It would be hard to prove the contrary.⁵

These, then, together with similar statements represented the tone of opinion offered by farm policy specialists until the close of the Korean War.

³Rainier Schickele, "National Food Policy and Surplus Agricultural Production," *Journal of Farm Economics*, November 1947, p. 867.

⁴*Long Range Agricultural Policy: A Study of Selected Trends and Factors Relating to the Long-Range Prospect for American Agriculture*, for the Committee on Agriculture of the House of Representatives, 80th Congress, 2nd Session, March 10, 1948, p. 27.

⁵T. W. Schultz, "Discussion on Paper by Jesness and Waugh on Agricultural Price Policy," *Journal of Farm Economics*, December 1952, pp. 626-27.

Events moved rapidly following the end of the Korean War toward dispelling the generally held beliefs regarding "full employment and farm prosperity." Farm prices and incomes fell steadily in the face of full employment and rising nonfarm incomes. Government-held surplus stocks began to grow despite a downward trend in price-support levels.

The major emergence of the second phase of postwar policy analysis was marked by the publication of *Can We Solve the Farm Problem?*⁶ in 1955, authored by Murray Benedict, an able and experienced economist in agricultural policy matters. During this phase the opinion was that "things are good in agriculture, except for wheat and perhaps cotton."

Chapter 12 of that book consisted of a Report of the Committee on Agricultural Policy, a distinguished group indeed, which included John D. Black, Jesse W. Tapp, Harry B. Caldwell, Calvin B. Hoover, Donald R. Murphy, Edwin G. Nourse, Margaret G. Reid, Quentin Reynolds, Theodore Schultz, Andrew Stewart, Louise Wright, and Obed Wyum. Certainly among these individuals were some of our most able specialists in agricultural policy, who had a clear understanding of the problems and prospects for our agricultural economy. Therefore, we can reasonably believe that their report represents the kind of advice the Congress was receiving and would respect. The committee report said:

There are some maladjustments in production and price relationships at the present time. These are partly an aftermath of war-expanded production and partly a result of the price policies pursued by the government in recent years. However, we do not find factual support for the view that the trading position of agriculture is now less favorable than it was in 1910 to 1914, except for the influence of the stocks held by the Commodity Credit Corporation and some continuing excess in production capacity. If the problems associated with these elements in the situation can be solved, there is reason to think that agriculture's relationship to the nonfarm part of the economy, even in terms of free market trading, would now be at least as favorable as it was in the 1910-14 period. In those years, the nonfarm economy was far less active, and the nonfarm labor market much less receptive than now.

However, this optimistic statement led one of the members of the committee to append the following footnote:

I fear this paragraph will be seriously misconstrued. For supplies to clear farm product markets on ahead, the terms of trade, say old parity, are likely to be in the neighborhood of 85 compared to 100 for 1910-14. But this change by itself does not imply that the real returns to farm people will be either lower or higher than in other occupations requiring comparable abilities and skills.

⁶The Twentieth Century Fund, New York, 1955.

When the committee turned to specific commodities, apart from wheat, they were equally optimistic. Regarding cotton, one member said:

I concur with these recommendations for cotton for I interpret them to say that in view of the prospective value of cotton, if the loans on cotton were about 3 cents a pound lower than they are, the "decks would clear," because cotton would then move freely into both domestic and foreign channels and no acreage allotments would be needed or, in any case, should not be employed.

Speaking of corn, the group said:

On the whole, the corn economy has accommodated itself to these large fluctuations in demand and supply better than could be anticipated. Most important of all, whereas in the 1930's most of the corn producing area was receiving very low returns for the labor, land and capital used in corn production because of the excess capacity in the industry, there is no such maladjustment currently. Returns on resources used in growing corn, including those for labor and management, have been for some time on a par with returns to comparable factors in industry. . . .

A logical price support for corn, based on price supply and demand considerations, would point to a loan that would be on the order of 5 per cent lower than that of 1954. With loans available at about that level, there would be no need for acreage allotments and they should not be employed.

Thus, the majority of this knowledgeable group were saying that corn would clear the market at about \$1.56 per bushel and cotton at about 28.5 cents per pound, and that no allotments or supports would be needed at that level.

However, two members of the committee did dissent vigorously with the preceding policy statements. They said:

As things stand now, farmers are again plagued with surpluses clear across the board. These surpluses seem likely to be a continuing problem. Declining exports, lucky weather, and improvements in technology have pushed production of many farm products far ahead of demand.

At about the same time the Research and Policy Committee of the Committee for Economic Development issued a policy statement which roughly paralleled that of the Benedict book.⁷ The similar position is not startling considering the overlap of personnel on the two committees. The cumulative effect of these analyses and others suggesting that the agricultural problem was primarily that of a minor imbalance, was highlighted in a striking fashion during the hearings on the Department of Agriculture appropriations for 1957. During those hearings, the following exchange took place:

Mr. Hovan: Based upon population studies and complementary studies of world production, which I understand now is up 119 per-

⁷*Economic Policy for American Agriculture, A Statement on National Policy, January 1956.*

cent of the 1935-39 production in foreign countries, what is your idea of the date at which time the population and production in this country might come into balance?

Dr. Shaw: There is a lot of different opinion on this question. My own opinion is about 1960.

Mr. Versell: Now with reference to the question Congressman Hovan just raised, did I understand you to say that you thought there was a possibility of population and production on the farms coming into balance around 1960, or did I get that wrong?

Dr. Shaw: That was the date that I used. Mr. Hovan mentioned 1963 and I said it could be 1960 or 1963, that I could not argue with him. It is in that period, in my opinion. But I want to point out to you that other people have different opinions.

Mr. Versell: I can quite well understand that. That is one of the most interesting things I have heard here this afternoon. It has been worthy of my time staying over here if I heard nothing but that because it stimulates one's thinking and gives one a modicum of hope that possibly with the population growing like compound interest, our trusses and supports to agriculture can be looked upon with a little more hope, and I think that is important when we are considering something like the soil bank programs to take more acres out of production.

I have always thought if we could attack this farm problem on enough fronts to tide the farmer over for a few years that we would eventually eat our way through this with the increase of population.⁸

Except for the Secretary of Agriculture, who probably should not be classified as a farm policy specialist, this represented about the final gasp of the "things are only a little out of adjustment" school.

A few economists, though little heard, had always suggested that the maladjustments in commercial agriculture went deeper than wheat and cotton. In 1953, W. W. Cochrane outlined his thesis of continuing agricultural surpluses in a journal article and a note.⁹

This was followed by the Bonnen and Black¹⁰ statement, issued in 1956, predicting major adjustment problems for agriculture through 1965, and the present phase of our farm policy analysis was launched. By 1959, reports issued by two of our most cautious institutions, the Department of Agriculture and Iowa State University, which projected extremely low prices for farm products in the absence of price supports, were greeted by all but a handful of policy specialists as reasonable.

⁸*Op. cit.*, p. 330 ff.

⁹Willard W. Cochrane and Harlan C. Lampe, "The Nature of the Race Between Food Supplies and Demand in the United States, 1951-75," *Journal of Farm Economics*, May 1953, p. 203 ff; and W. W. Cochrane, "Professor Schultz Discovers the Weather," *op. cit.*, p. 280 ff.

¹⁰John D. Black and James T. Bonnen, *A Balanced United States Agriculture in 1965*, National Planning Association, Special Report No. 42, April 1956.

Although the quotations used to represent the opinions of agricultural policy specialists were chosen to present a picture of persistent overoptimism, the record, if analyzed fairly, does suggest that the worst accusation against politicians might be that they were selective listeners. Not until 1956 or 1957 did agricultural economists generally agree that the farm problem was more than the problem of overproduction of a few commodities. Since that time, our understanding of the problem has increased tremendously, and I think we are perhaps now nearer to agreement about the nature and magnitude of the farm problem than ever before.

Not only have agricultural economists been inaccurate in their estimation of the nature and magnitude of the farm problem, but up to the present time, they also have failed to agree on the fundamental structure of the agricultural economy. Opinions about the nature of the demand and supply curve for agricultural products differed widely in the papers presented to the Joint Economic Committee in 1957.¹¹ In that collection, some agricultural economists argue that demand for farm products is generally inelastic both in the short and long run, while others argue that—at least in the long run—demand for farm products is quite elastic. In the same volume are papers by agricultural economists who argue that the supply curve for farm products is highly inelastic as well as a paper by another agricultural economist who holds that the supply of farm products is relatively elastic to the price received by farmers.

The current issue of a magazine aimed at extension agents carries an article by a professor of agricultural economics at a mid-western land-grant university which claims that the demand for farm products is not inelastic.¹²

With completely different statements of fact regarding crucial elements in the structure of the agricultural industry, we shall probably continue to get highly differing solutions to the farm problem. However, policy specialists like yourselves would not seem to be doing your job unless you speak out to correct irresponsible, irrelevant errors of fact upon which competent economists agree.

Perhaps because agricultural economists fail to understand the complex nature of the heterogeneous industry which they are discussing, policy specialists and farm leaders tend to offer simpli-

¹¹*Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability*, U. S. Govt. Printing Office, Washington, D. C., 1957.

¹²R. W. Bartlett, "Cochrane's Folly," *Better Farming Methods*, September 1960, p. 24.

fied solutions for the problem. The current vogue is to argue that comprehensive supply controls for agricultural products would provide a solution to the farm problem. This approach appears to have supplanted the soil bank for which enthusiasm ran high among agricultural economists and farm leaders only four or five years ago. The soil bank supplanted the flexible price solution which was generally advocated by agricultural economists until about 1953 or 1954. Policy specialists are insulting their own intelligence if they say that the farm problem is really a very simple thing, with a single cause and obvious solution. In reality, the farm problem is an extremely subtle, complex problem with many facets, which has its roots in many events of the past two decades, including nearly all of those which have been mentioned at one time or another and some which probably have not. The solutions to such a problem will likely prove to be both complex and less than completely satisfying to everyone concerned.

Finally, agricultural economists have generally failed to specify the criteria they use to analyze present or proposed farm programs. For most of the postwar period, agricultural economists seem to have used the concept of classical market prices and structure as their goal as well as their analytical model. Programs which cleared the markets were considered desirable and those which maintained support prices above free market prices were undesirable. Admittedly, at that time, most economists believed that markets could be cleared with relatively modest adjustments on the part of farmers and that the resulting income position of farmers would probably be quite satisfactory.

At the present time, the most common criterion used by policy specialists to judge agricultural policy is its effectiveness in achieving returns to resources in agriculture comparable to that of similar resources in other parts of the economy. This has an overwhelming appeal for those interested in the static theory of resource allocation, but the real world is neither static nor perfectly competitive. Many other criteria might be used to judge agricultural policy, including what kind of industry we may wish for the decades ahead. Once this structure has been determined, it is not easily changed, yet quite possibly the efficiency criterion, which is the one that seems to be used generally at the present time, is one that is not accepted by the rest of the economy and not likely to be accepted by farmers if its implications are clearly understood.

Even though future changes in farm policy quite obviously will improve the status of some groups at the expense of others, policy specialists have generally ignored the inability of economics to

provide an analytical framework for such situations. The recent conference on goals and values in agricultural policy was a step in the right direction, even though it more nearly highlighted our pitiful state of development in this area than it presented useful analytical frameworks.

In the years ahead, those who work on farm policy education can probably learn something from our inadequate performance during the 1950's. First, we must work vigorously to improve our understanding of the basic structure of the agricultural economy and the changes and pressures that are likely to arise in it in the decades ahead. This understanding should be followed by an intensified effort to acquaint policy leaders and the general public with these facts. Moreover, misrepresentation of these facts, whether by farm leaders or by uninformed economists, should be challenged rather than accepted with a wink and a nod.

Third, the unwise emphasis in our policy education programs upon discussing simple solutions and single alternatives to the farm problem should be ended. Let us attribute more intelligence to our audience and discuss the mixture or balance of actions that might appear possible, rather than to set up and destroy simple "straw-man" programs which we know to be incapable of doing the task.

Fourth, we should recognize that agricultural adjustment programs can be judged by a number of criteria and that some of these criteria have as much validity as those now used. More research and education are needed in the area of goals and values involved in farm policy.

Finally, we should be less critical of those responsible for policy formation in agriculture for not having evolved good policy. A five-year lag between technical analysis and action is not unusual, and less than five years have elapsed since we arrived at our present consensus regarding the nature of the farm problem. Also, politicians have the unpleasant task of making the final decisions among programs which offer few Pareto-better solutions, and such a task will always be subject to criticism however carefully performed.

Let us hope that whoever evaluates the agricultural policy of the 1960's will conclude that agricultural economists made a significant contribution to its improvement and generally were right in their assessment of the agricultural problems of the decade. And most of all, let us hope that at the end of the next decade all groups concerned with farm policy will be able to avoid the subconscious rejection that has afflicted most participants during the recent decade.