Political Components in Current Agricultural Policy Formation

By Allan B. Kline

I appreciate the opportunity afforded here of speaking to some of those who carry major responsibility for adult education in rural America.

Current discussions in the newspaper relating to the government of the United States remind me that the Adams' say in their *Basic History of America* that the *Federalist,* written by John Hay, James Madison, and Alexander Hamilton, constitutes one of the great treatises on government, and perhaps the only truly great one. The pace of change in modern government suggests that there is opportunity today for equally penetrating thinking with regard to the implications of current and proposed programs.

Much of the discussion in agriculture is concerned with the economic situation. I shall discuss this first, but shall note also that the political and social consequences of federal actions may be more significant and more far reaching than the economic results.

The situation economically is relatively simple. The United States agricultural plant is too large. It includes more capital and more labor than can be efficiently used or highly paid.

Since we are producing more than we can use or give away, we have accumulations — surpluses. Surpluses depress prices. This results in lower incomes.

In this situation, when it is apparent that the economic propositions must be successfully met, we have all sorts of proposals for panaceas. Most of them rest on the idea that the government should fix prices and, of course, fix them at levels higher than the commodities will move in trade.

The delusion that price fixing is a cure-all rests firmly on the assumption that action of that sort has created the farm situation since 1940. It is made most clear by comparison of prices then and prices now. In April of 1940, No. 2 red winter wheat, Chicago, was $1.13 a bushel; No. 2 yellow shell corn was 63 cents a bushel; barrows and gilts, Chicago, were $5.48 a hundred; and milk, wholesale, U. S., was $1.75 per hundred. April 1956 prices were respectively: $2.37 for wheat; $1.50 for corn; $15.13 for hogs; and $3.84 for milk.

While what happened can be illustrated in many other ways, these figures are sufficient. Since 1940 prices have remained high primarily because of war and inflation.

Setting prices at above market value involves rationing the right to produce. This not only has proved true in current programs, but is logical and inevitable. It is a corollary of the well-known proposition that government fixing of prices below the level at which consumers would buy involves the more well-known rationing of goods and services available.

This course of action depresses the prices of storables as surpluses accumulate and spreads to other commodities as resources shift to crops free from price fixing.

Another political aspect of this situation deals with the number of people on farms. It is a delicate proposition because it concerns humanitarian ideals of good people. Actions take many directions: cheap credit, assistance in housing, special payments and other farm subsidies.

In April of 1940, 11.8 million people were employed in agriculture in this country. In April of 1956, 6.4 million people were employed in agriculture. Let those who argue that we must maintain people in agriculture give us a reasonable estimate of per capita income of farmers if we had twice as many people farming today as we had in 1940.

Fortunately, there are alternatives. They involve education, new industries and investment, high production per capita within and outside agriculture, and the possibility of truly thriving and progressive rural towns and the same sort of farm communities around them.

There is an intriguing proposition that while we should not fix prices, we should legislate income by compensatory payments. Space does not permit giving the total argument, but this proposition involves the rationing of the right to produce exactly the same as other forms of price fixing. Furthermore, it is more difficult to manage politically than present programs because it involves a direct legislated payment from the treasury to every farmer. In addition, the accumulation of surpluses promotes state trading in the international field with the circumvention of individual and private activities which is inevitable.

A government which does the things involved in price fixing is based on a theory more given to security than to the protection and expansion of opportunity. The leveling involved in rationing the right to produce will inevitably lower the cultural levels and educational standards of rural people. This derives from the proposition that no group, over a long period of time, can receive more than it earns. Price fixing restricts the right to earn.

The world is facing a great ideological struggle concerned with the status of the individual and the functions of government. I suspect that no area of decision is more significant in this struggle than that of political action in the farm field in the United States. It is a real privilege to start you, some of our great educators, thinking and helping others to think with regard to aspects of this situation more far reaching and more permanent than the price of hogs this fall.