billion plus 1 billion for "fringe costs," the gross annual cost would be 3.25 billion dollars. Subtracting .75 billion dollars lower food costs would leave an average net cost of the program of about 2.5 billion dollars per year for the first five years. This does not take into account the increased taxes resulting from increased earnings of those transferring jobs. The program should cost substantially less during the following years. The cost is about the same as for the present farm program. However, under the present system costs likely will become greater instead of less in the future.

D. Other Considerations

1. FREEDOM. Compared with some alternatives, this program would provide for a high degree of freedom except for the contract provisions, which restrict occupational freedom to some extent. Program participation would be strictly voluntary. Control programs now in effect would be gradually eased, increasing freedom to others. Price again could be the major determining factor in allocating resources, even for "basic" commodities. Restrictions on alternatives would be at a minimum.

2. NONMONETARY SOCIAL COSTS. This program might have quite a social impact upon some communities and regions which experience considerable loss of farm population. The already large burden of providing adequate services such as schools, churches, etc., would become an even greater burden on the remaining population. This social cost is hard to estimate, but would need to be considered. The cost in the communities to which people migrate also needs some consideration. However, considering the many diverse areas of movement, the impact to the communities receiving the movement would not likely be great.

Part IV. Resource Adjustment Through an Effective Production Control Program

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Production control is often considered an effective means of supporting income from many agricultural products. This contention is generally based on the supply and demand conditions of agriculture. While the philosophy of farm policy has embraced supply control, programs have been hampered by an inability or unwillingness to install all the mechanics necessary for effective control. As a result, sur-

pluses have accumulated through past allotment and related price-support programs.

If allotments and quotas are to be considered as a tool for agricultural policy in the future, a choice may be made between three methods: (1) stricter acreage allotments with features added to control production effectively; (2) quotas on a quantity basis at the farm level; or (3) a combination of quotas and acreage allotments. The following paper briefly recognizes the first two methods, and outlines detailed steps of an approach to the third method. An evaluation is offered of the program combining quotas on some commodities with a total acreage allotment.

A. How Alternatives Might Work

1. STRICTER ACREAGE ALLOTMENTS. If acreage allotments are to control production more effectively in the next three to five years, several additional features are required. Among the required corrective measures are the following:

a. Extension of allotments to all producers of the designated commodities on a comparable basis and higher penalties to require compliance with acreage allotments.

b. Removal of legal minimum allotments to permit reductions of supply to whatever level is deemed necessary.

c. Cross compliance when farms have more than one allotted crop.

d. Total acreage allotments for farms to prevent shifting of surpluses from allotted to nonallotted crops.

e. Adequate adjustments in allotments to offset increases in intensity of land use.

f. Clearer definition of effective demand, excluding artificial disposal programs.

g. Extension of allotments to additional commodities.

2. EFFECTIVE QUANTITY CONTROL. One of the most recent developments in supply control is the quota or quantity control method. In general the "supply control route" as described by Cochrane and others goes directly to the heart of the question by more specifically regulating production than would restricting inputs. This method involves the setting of national sales quotas on individual commodities at a level which will clear the market at a price deemed to be fair to both producers and consumers. Quotas are allocated to individual farms, and their sales are restricted to these quotas.

3. A COMBINATION OF QUOTAS AND ACREAGE ALLOTMENTS. The program outlined below represents a combination of quantity controls and acreage allotments. This combination offers an approach for extending quantity controls to those commodities which: (1) have no close substitutes and (2) are sold rather than used on the farm. The total acreage allotment for nonquota enterprises offers a means of controlling aggregate output while giving the farmer freedom to choose his own combination of nonquota enterprises.

a. Market Sales Quotas on Selected Commodities. The quantity-control method might be applied to tobacco, cotton, or any commodities as requested by farmer referendum. Procedures required for this phase of the program would include:

(1) Determination of a national marketing quota which can be expected to clear the market at prices deemed reasonable to both producers and consumers. Such price schedules, which would take into consideration world markets, might range between 60 and 90 percent of parity according to supply and demand conditions for each commodity. The national marketing quota might be reviewed by USDA with each individual commodity organization. Commodity quotas would be announced sufficiently in advance to facilitate production planning.

(2) Allocation to individual farmers of their pro rata share of the national marketing quotas. This allocation might be determined in accordance with a farmer's historical record of production of commodities placed under quota. A farmer would not be allowed to market any commodity having a national quota unless he had marketing certificates to cover the quantities involved. In cases of unanticipated high yields, a farmer could be allowed to store production in excess of his quota at his own expense. Sale of his stored commodities during the next production period would reduce his sales from the next year's production.

(3) Compulsory diversion of excess resources. The individual farmer would choose his methods of production and state in advance the acreage to be used in producing quota crops. As land used for quota crops is reduced and the total acreage for nonquota crops is limited, excess land must be held out of all production. This would be comparable to the computation of the soil bank base.

(4) A farmer referendum to determine whether the majority of producers desire a market sales quota on their commodity in preference to a total acreage allotment program.

b. Total Acerage Allotment for Nonquota Enterprises. Unless selected for an individual quota by a producer referendum, such com-

modities as corn, other feed grains, wheat, horticultural crops, pasture, and forage crops would be covered by this over-all control mechanism. These restrictions on feed grains, pasture, and forage crops would tend to limit aggregate livestock production if acreages were reduced enough to lower feed supplies.

(1) The base allotment for nonquota crops could be related to the historical acreages used for these crops.

(2) The percentage of the base allotted for production would be adjusted in line with aggregate supply and demand conditions for nonquota crops and livestock. If aggregate production exceeds effective demand, the total acreage allotment for nonquota crops would be reduced on all farms. Price ratios in the market place would determine the commodity mix of nonquota enterprises.

c. Other Provisions. Arrangements would be made for transfers of quotas and possibly for price supports.

(1) Transfer of production rights would be allowed to permit shifts of quotas or allotments of nonquota crops between farms and between regions. Transfers of quotas or allotments can be facilitated either by negotiability of production rights or provisions for forfeiture of quotas or allotments by those who do not use them.

(2) Price supports under this program are not necessary to raise prices, if production control is effective. Price supports would perhaps be needed to offset wide fluctuations in prices, which may result from changes in production due to weather and sudden changes in market conditions. But such supports would not be pitched at a level above the equilibrium price for the established supply.

B. Economic Considerations

The following points relate to the program outlined above which combines quotas or quantity controls on some commodities and a total acreage allotment for nonquota enterprises on individual farms.

1. ECONOMIC EFFICIENCY. Transferability of quotas or allotments under this program would permit long-run interfarm and interregional shifts in line with comparative advantage of production. Those obtaining additional quotas or allotments may produce more efficiently through specialization and volume production.

The individual farmer can choose his unique least-cost combination of land and other inputs for producing commodities under quotas, whereas under previous allotment programs the tendency has been to increase the use of other inputs on a restricted acreage.

Remedies are offered for situations in which surpluses are created in other commodities as allotments are reduced for controlled crops. With quotas on some crops and a total allotment on nonquota crops, shifting from restricted crops to nonrestricted crops is essentially prohibited. For example, if a farmer chooses to produce his tobacco quota on less acreage through the use of more intensive practices, he is free to do so, but total cropland used in production would be reduced. If enabling legislation and enforcement under this approach are sufficiently rigid, commodity prices and farm incomes of producers would be held, at least in the short run, above the level which would have existed with no production controls. This is due to the inelastic demand for farm products.

2. ECONOMIC GROWTH. One of the prerequisites for economic growth is that basic materials such as food and fiber be produced with a minimum of resources in order that other resources may be devoted to production of goods which will raise the over-all level of living. If direct sale of production rights is used as a transfer technique, the compensation for those releasing quotas and allotments would encourage the movement of underemployed farm people to nonfarm employment where available.

C. Cost of the Program

The total government cost for this program would likely be below the cost of previous programs. The administrative and enforcement costs would probably rise but will be more than offset by drops in other costs. No compensation is necessary if a farmer reduces acreage in quota crops, or if total allotment for nonquota commodities is reduced. Costs of government storage should be reduced since farmers are responsible for costs of storing excess quota crops. Under these circumstances any governmentally controlled reserves for defense or other emergencies can be appropriately charged as national defense expenditures rather than as an agricultural cost. Costs to the consumer would be raised to the extent that prices were held above the free market level.

Part V. Resource Adjustment Through Modified Free Price Programs

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Various estimates indicate that a 5 to 8 percent reduction in output would bring farm production into balance with demand. To do this, either: (1) land must be shifted from intensive crop production to less intensive uses more rapidly, (2) labor must flow out of