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POLICIES IN THE UNITED STATES AFFECTING AGRICULTURE

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THE VARIOUS units of government in the United States—the townships, the municipalities, the counties, the states, and the federal government—have developed laws and services to regulate or to aid the farmers. They provide fence laws and weed laws to adjust the relations of farmers with each other; they establish sanitary and food laws to protect the consumer; they make war on plant and animal diseases; they establish grades and standards, render inspection service, and provide information service as a protection and as a basis of intelligent action on the part of producers, dealers and consumers.

Viewed historically these government activities have had as a background a land and transportation policy intended to hasten the expansion of the agriculture of the United States, and a research and educational policy intended to increase the production of farm products per acre. In general, the national and state policies have looked to the increased production of cheap food and raw materials. Prior to the administration of Theodore Roosevelt, in the first decade of the present century, little regard was given to the welfare of the farmer. The Roosevelt Country Life Commission was at least a gesture in the direction of giving thought to the farmers' economic and social well-being. Since that time, agricultural economics and rural sociology have developed. The incomes and the living conditions of farmers have been studied by agencies of the states and of the federal government. The agricultural depression has focused research, education, and legislation upon the unfavorable economic condition of farmers. The result has been the promulgation of a policy by the federal government which definitely commits it to economic equality for farmers. In some measure this points toward a reversal of the old policy of expansion of production to insure cheap food and raw material. It points toward limiting production in the interest of higher prices as a basis of improving the welfare of the farmer.

While the government is committed in principle to giving thought to the economic well-being of the farmer, it has not yet

developed effective methods of accomplishing this purpose. At present, the government is depending upon the voluntary actions of farmers as individuals and as cooperative groups for the attainment of economic equality for agriculture as an occupation. Can cooperation solve the problem of securing equality for agriculture?

In approaching this question we need first to keep in mind the nature of the farmers' economic ills. It is a well established fact that farmers' ills are not due to inefficiency in production nor to inefficient methods of marketing farm products, but to the ratio of exchange of the things farmers sell and the things which farmers buy. This ratio has been unfavorable to the farmer for ten consecutive years. At the present time, the farmers have to deliver five carloads of produce in exchange for what they secured in exchange for four carloads, during the five years prior to the World War.

This situation is due to the fact that farmers have remained on a highly competitive basis while most other industries have entered upon a régime of limitation of competition through association and through legislation. The central question regarding the Federal Government's proposal of cooperation as a remedy relates, therefore, to its usefulness in limiting the competition of farmer with farmer. In the past, the great gains through cooperation have come through providing additional competition for the independent dealer at the local grain market, at the local creamery, in the local potato market, and so forth, or the organization of the farmers interested in one market or in one product produced largely in one area. Here an important service has been rendered for years. In the current Harpers, Mark von Doren gives the typical outsider's advice when he says "Cooperation for control of supply and price is of course the thing he (the farmer) needs to learn."

The question is: Can farmers, through cooperation, limit production and thereby restore and maintain favorable prices for the major staples of American agriculture? This is a vast new task of a kind which cooperatives have not performed in the past. It has been proposed by the Federal Farm Board that the wheat crop be reduced 25 per cent. How can the cooperatives help in a job of this kind? Is this to be done by asking each farmer to produce three-fourths of a crop? If so, what will he do with the other fourth of his wheat land, and the other fourth of the use of his equipment and his labor? It is obvious that his cost per bushel of wheat would greatly increase if he runs only three-fourths capacity.

The alternative is to get those who produce about 200,000,000 bushels of wheat, or a fourth of an average crop, to go out of wheat production. What would they produce instead? Not other farm products, of course, for that would run head on into the reduction program in some other phase of agriculture. Obviously, these surplus farmers will have to be moved off the land, and the land abandoned. Is this a task which can be handled through agricultural cooperation?

Suppose we were successful in limiting wheat production to the demands of the domestic market. Who would benefit? The taking of 200,000,000 bushels out of the world market would undoubtedly lift the world price level and would benefit wheat producers throughout the world. Outside of the United States, this benefit would come as a free gift to the farmers. In the United States, it would come at a very high cost which might be compensated for only through an effective tariff. It would seem, therefore, that even if, through some new kind of cooperation we know not of as yet, the United States wheat production could be cut 25 per cent, there is no guarantee that the farmers of the United States would benefit, and certainly the nation as a whole would lose heavily by such a readjustment in our economic life as would be involved.

The proposal to reduce the wheat crop 25 per cent is a drastic remedy for an ill that has been created by an excessive use of the protective tariff and an unprecedented amount of limitation of competition among manufacturers and trades-people. Price competition has in a large measure ceased. Competition for the business continues but does not help the farmer as a consumer. Is there not a much simpler way out of the difficulty? Can we not make a direct attack upon the conditions which have caused the unfavorable price ratios?

In 1925, when the McNary-Haugen relief measure was in its earlier stages of promotion and while I was still in the government service, I made the statement at the Institute of Politics at Williamstown that "If I might blue pencil certain Federal laws which give special privileges to other groups to the detriment of agriculture and enforce certain other laws now lying more or less dormant, I would ask for no new legislation especially for agriculture."

Five years have passed and I have had no occasion to change

my views on this subject, but I have seen the struggle in Washington which shows how difficult it is to secure a square deal for agriculture either by repealing laws which damage, by enforcing laws now on the statute books which would help, or by securing new laws which would tend to place agriculture on an economic equality with other occupations.

The chief basis of complaint on the part of farmers today grows out of the fact that the government has changed its policy with respect to industry and commerce, in a manner such as to increase the prices farmers pay for what they buy without a corresponding change in the prices of the things they have to sell. Since the slogan "More Business in Government and Less Government in Business" was promulgated and put into effect, the basic fabric of our national economic life, as it functioned in the days of Theodore Roosevelt, has given way in many places. This slogan has come more and more to mean: "Let business run the Government in the interest of business profits, for if business prospers, all will prosper."

For many years business prospered inordinately under this régime, but agriculture has suffered as never before. This bad situation for the farmer is the result of the application of the new theory of limited competition, controlled production and prices by manufacturers, and controlled rates for middlemen's services determined by business men in their own interest. Unfortunately for farmers this new régime of limited competition which has come into existence without Congressional action or sanction is not applicable to the producers of the great staples of agriculture because of their numbers and their geography. Hence the farmer sells for competitive prices and pays controlled prices for what he buys.

The farmer's problem could be measurably solved either by reverting to the old régime of competition, by the government control of monopoly prices, and tariff revision downward, or, by developing new agencies which will do for farmers what the new régime of limited competition is doing for business. The latter can not be accomplished for the major agricultural staples by cooperation as we have known it. Government action would be required. Would this be a new sphere of government activity?

All governments attempt to protect life and property and to enforce contracts. In recent times, recognizing the conditions under which many contracts are made, limits have been set in the enforcement of contracts. Under the institutions of private property and

contracts, the "law" of supply and demand operating under conditions of free competition has been the accepted basis of the distribution of incomes. In order to maintain fair play and justice under that régime, the government at one time prohibited the maintenance of high prices through the limitation of competition in the industries classed as competitive, and established agencies to guard against the limitation of competition.

The recognized monopoly has been an exception. In certain specified fields of economic activity, where effective operation required monopolistic control, agencies have been established for the purpose of guaranteeing fair prices for products or fair charges for services. Means have, in some instances, been provided for establishing fair wage rates for the employees of monopolies. Furthermore, the government has endeavored to promote education, research, and the free and equal dissemination of economic information as the basis of more intelligent free competition. What more need be done?

If these laws which relate to competition and price were administered in an effective manner, and certain special privilege legislation repealed, little more could be asked by American farmers. But these basic conditions of our economic life have not been administered effectively in the interest of the general welfare, in recent years. The administration has abandoned the old policies without legislative provision for so doing. It would appear that we have today no well thought out plan for ordering the economic life of the people of the nation as a whole, but rather an extra-legal plan which provides for limitation of competition, presumably in the interest of efficiency of production, but more often it is in the interest of efficiency in acquisition.

We hear often of the "law of supply and demand" in terms which indicate its inevitableness, but we hear little about free competition without which this so-called law becomes intolerable as a basis of determining prices and incomes. Instead, we hear much of the theory that order and justice in our economic life can be established by encouraging those in all industries to limit their production in such a manner as will bring about an equilibrium between demand and supply at a point which will yield a price that will satisfy the producer.

Before accepting this new economic doctrine, certain questions should be asked and answered.

1. When all industries adjust supply to demand under conditions of limited competition and on the basis of prices satisfactory to the producers, what disposition will be made of the excess of people who will not be needed in any of the occupations.

2. Will not a national economy which limits the production of each and every industry limit the productivity of the nation as a whole and thereby limit the total quantity of economic goods available for the people of the nation?

3. Can the policy of limitation of competition by private interests be carried out to an equal degree in all occupations?

4. When free competitive prices disappear, what basis will remain for adjusting monopoly prices? Will not the distribution of incomes be entirely without a principle of control?

It is believed that an economist who keeps the national welfare in mind will answer these questions essentially as follows:

1. The artificial restriction of the industries of the nation as a whole must not be such as will in the long run exclude able-bodied citizens from finding employment as a means of subsistence.

2. A few industries can profit by exchanging their limited supplies of products for goods produced under conditions of free competition. But if those in all occupations limit production equally, then the exchange of products between those of different occupations would be at the same ratio as if these industries were all operating on the basis of free and intelligent competition. No one would benefit. The total product, and hence the economic well-being of all the people would, however, be reduced.

3. The ease with which some industries can limit competition and thereby enhance prices and the practical impossibility of limiting competition and similarly enhancing prices in other industries, makes this policy a freedom to limit competition and adjust production to demand on the basis of maximum profit to the industry, ruinous to industries such as agriculture where free competition prevails among those engaged in the occupation and where advice to limit production can at best be applied only to certain minor lines of production. The best that can be hoped for in the staple lines of agricultural production is a more intelligent free competition. Justice in the occupational distribution of the national income demands, therefore, that, insofar as free competition ceases as a price regulator, public authority step in to guarantee fair price.

The only alternative would appear to be the establishment of government agencies capable of providing for adequate limitation of competition in the more highly competitive occupations.

4. Obviously, with the passing of competition as a price regulator, we will be under the necessity of finding new standards for the evaluation of the contributions which the several economic groups of society make to the consumers as a whole. Standards for the purpose of establishing justice in the distribution of incomes have not been promulgated by those who are promoting the new principles of production based upon privately controlled limitation of competition, which limitation destroys the old and accepted basis of justice in the distribution of the national income.

As I contemplate the present trend of affairs, it appears to me that a new order of economic society may be creeping upon us unawares. It is not likely that this new order, whether it be one of exploitation due to lack of public control, or one of economic justice due to adequate social control, will come without conflict. You may recall that John Stuart Mill said, "The Distribution of Wealth depends upon the laws and customs of society. The rules by which it is determined, are what the opinions and feelings of the ruling portion of the community make them, and are very different in different ages and countries; and might be still more different, if mankind so choose." The question we now raise is, "What is the 'ruling portion' of the United States?" The fact that it appears to be a "portion" representing one group interest and not the whole is ominous. An editor recently said to me, "What group is better fitted to control the government than the business group?" The answer is, "We need a group of statesmen who will look to the interest of all the people rather than the profits of their own group." More than thirty years ago, Spahr, in his book entitled "The Present Distribution of Wealth in the United States," made reference to the Civil War and indicated that the next great conflict in this country would be over the distribution of the national income.

While much of danger and conflict seems to be involved in the present trends, nothing radical is involved in what need be done for agriculture by the government. In fact, one might be justified in becoming a reactionary in the presence of the extremely dangerous trends which place the economic life of the nation at the mercy of a series of highly organized groups operating in their own pri-

vate interest. What then should the government do for agriculture? I would answer this question briefly as follows:

(a) Restore competitive prices in the so-called competitive industries, by making the Sherman Anti-Trust Law effective, by re-directing the Federal Trade Commission and by suspending that part of the work of the Department of Commerce which promotes the organization of manufacturing and trade groups for the more effective limitation of competition.

(b) Fix reasonable prices in fields where monopolistic control is inevitable, by making the public utility commissions effective in establishing fair rates and fair prices on a basis equally fair to stockholders and to the consuming public, keeping in mind the principles of relativity which are essential if justice is to be meted out to all. In recent years, the profits of the public utilities have been considered without adequate regard to the profits of the industries which pay the bills.

(c) Our government should reduce to its proper sphere, special-privilege legislation, particularly the protective tariff which, at times useful within proper limits, has been used so excessively as a means of elevating prices in the interest of inordinate profits for certain industries at the expense of other occupations and of the consuming public. It was at a time when there was no hope of securing equality for agriculture under the tariff by downward revision of the rates on certain classes of products that the equalization fee, the debenture plan, and the domestic allotment system were brought forward as alternative means of securing some degree of justice for farmers under the firmly established "protective" tariff. A wise and just revision of the tariff would make these devices unnecessary. Of this there is at this time, however, little hope.

(d) As a basis of intelligent free competition in the production and distribution of agricultural products the agencies for collecting and disseminating information and the preparation of outlook reports should be further developed on a world basis. It is quite as important to the farmers of the United States that the wheat growers of Canada and the Argentine have this information as that our farmers have it for themselves. The cooperation of all producing and consuming countries is needed in this undertaking.

(e) As a means of maintaining a proper proportion of the human factor in the various occupations, an information service rela-

tive to the present and prospective opportunities in the various lines of economic activity should be collected and disseminated and agencies should be developed for facilitating the movement of population from one occupation to another. This implies also the removal of barriers which are set up to keep people out of a given occupation in order to maintain extraordinary wages.

(f) The government should seek to reduce the fluctuations in the purchasing power of the media of exchange securing the co-operation of other nations to that end insofar as this may be necessary.

These are the basic things the government needs to do to place agriculture on a basis of economic equality with other occupations.

Much is here asked that the business interests who are profiting by the new régime will resist. But the new régime of limited competition has not only come into existence without Congressional provision or sanction but unknown to the rank and file of the people. If we cannot go back to the lawfully established order of free competition, may we not hope to have some lawful foundation for the new order, and may we not ask that a basis of fair play for farmers and other similar groups be provided in the new régime?

The questions will be asked, "Can not the Federal Farm Board, as recently established, take care of the needs of agriculture? Is it not doing for agriculture what other industries have done in limiting the effect of competition on the prices of products?" The answer is "No." The major things which need to be done in restoring order, as outlined above, are the duties of old established agencies of government which in the present régime are in a large measure ineffective. If the competitive order is to be left behind, and a new régime of limited competition is to take its place, something more than the Agricultural Marketing Act, under which the Federal Farm Board is now operating, will be required to enable this Board to put agriculture on a basis of economic equality with other occupations.

Since writing the foregoing pages, I have submitted them to a considerable number of business men and economists who have taken the trouble to read and comment upon the views which are here presented. All agree that a new régime of limitation of competition has prevailed in recent years and they almost uniformly look upon this limitation of competition as essential in modern in-

dustrial life. The arguments one time voiced against the wastes of the competitive system by the advocates of socialism are now voiced by business men and economists who have no thought of embracing socialism. These men who wrote me that we must not turn back to the Rooseveltian régime, failed, however, with one exception, to suggest any method of securing justice in the distribution of incomes under the régime of "competition limited."

If we accept the new régime in production, is it not inevitable that a new régime in the distribution of incomes must follow? Who will outline a new régime which will provide justice in the distribution of the annual income of the nation under conditions of privately controlled limitation of competition? Is there any system of controlled distribution which the business interests would ever approve? No. In a government run by business men, there is no hope. Statesmen are needed who look to the welfare of all, not simply to the profits of the few. In a government by statesmen, a new régime of production and marketing which substitutes group control for competition would not be accepted until means have been provided for the maintenance of reasonable prices and a just distribution of the national income. If freedom to limit competition is granted first, the control of distribution which will be essential if the limitation of competition is to be tolerated by the people of the nation, will be secured only after a fight which may be more wasteful than competition in production. It would appear, therefore, that farmers as a class should insist on maintaining the competitive régime outside of the field of natural monopolies at least until a new régime has been lawfully founded which will take care of the problem of providing equitable incomes as well as the promotion of efficiency in production.