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Conceptualization and Climate for New Deal Farm Laws of the 1930s

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Seniority is a status of ambiguous appeal but the horological happenstance of my having been on the farm policy scene from the earliest New Deal days has been felicitous. We veterans of the 1930s will never lose our poignant memory of the circumstances of the time. Whether we can communicate the atmosphere, the nuances, of those intense days is another question. For my part, I will try.

The New Deal story is worth the telling. The New Deal introduced a conceptualization of the governmental role in the economy that was truly revolutionary. Essentially, during New Deal years citizens invested the federal government with responsibility for performance of the economy, and the government accepted it. In 1980-81 President Reagan as candidate and initially as President announced a divestiture but in 1983 (State of the Union message) he explicitly returned to the position first taken by the Franklin Roosevelt administration in the 1930s. The federal government assumes a responsibility.

In telling the New Deal story I will interweave three themes. The first is that the economic programs of the New Deal, though revolutionary, were not without presage or precedent. This is particularly true of programs in agriculture. The farm laws, like other emergency legislation of 1933, can be credited to the Great Depression that began with the stock market crash of October 1929. But in a larger sense they date from the precipitous break in prices of farm commodities in 1920-21, which set in motion the agitations and inventions of the 1920s for what was popularly called "farm relief" — though Professor John D. Black used the term, "agricultural reform." The Agricultural Adjustment Act of 1933 had a 13-year gestation.

My second theme is that the farm laws of the 1930s were part and parcel of the whole New Deal social and political movement. The agricultural establishment did not want it that way; its leaders would have preferred a more selective (preferential) cushioning. But the inexorable rules of the political process prevailed. Agricultural policy was integral, not ancillary.

Thirdly, although President Franklin Roosevelt had his brain trust, in large measure his programs were more pragmatic than ideological. The New Deal style was to attack many problems simultaneously, and by a variety of means. Farmers' low prices and incomes were only one among many blotches on the scene that were due for attention, and crop acreage controls were more or less incidental among economic programs employed.

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Charles Kindleberger has quipped that James Tobin credits his getting the Nobel Peace prize to his "stating that one should not put all one's eggs in one basket." Kindleberger continues the sally by saying Jan Tinbergen got the same prize for insisting that it's impossible to kill two (economic) birds with one stone (p. 61). The New Deal had lots of baskets and, to switch analogies, many stones. It tried to fill all baskets, and to throw all sorts of stones.

Personal Data

As the briefest personal sketch, in the fall of 1930 I left an Ohio farm to enroll at the Ohio State University. I reached Columbus just as unemployed men began to sell apples on sidewalks outside the AIU tower and Deshler-Wallick Hotel. In the summer and fall of 1933 I worked in the office of Dillon Myer, director of the state office for the wheat program of the new Agricultural Adjustment Administration. Three years later I joined O.V. Wells in the agency's Program Planning Division in Washington. I have rarely been far removed from farm affairs since those days.

Partial Industrialization of Agriculture in a New Urban-Industrial Economy

In historical reporting it is easy to log the chronology of events but difficult to find meaningful patterns and especially patterns of secular change. The role of the historian is not so much to cite events as to interpret them.

I interpret the New Deal programs in agriculture as reflecting the partial industrialization of agriculture in a nation that was passing rapidly from its rural-agrarian past to an urban-industrial future.

Although the United States began to take on urban-industrial traits as early as the Civil War, it remained predominantly rural, particularly in outlook, through all the 19th century. Its industrial growth gained momentum after 1900 and especially during World War I. But I can testify from memory that the fascinating decade of the 1920s was the time when the majority of citizens began to believe that Adam Smith was correct: division of labor in making pins and similar manufactures would bring wealth to us all. The guarantee was clinched, all Americans possessed of a dollar were told, if we were smart enough to invest in shares of common stock. It was a heady decade.

The Great Depression that followed was traumatic. For a few Americans it was even suicidal. It also proved to be the experience in our national life that completed our conversion to an urban-industrial economy and society. Not least significant was the metamorphosis in social and economic philosophies. Still vivid in my mind is the change in the way a great many citizens viewed the depression experience. Initially, the agrarian credo was held to. It viewed the business depression as the penalty a just God imposed on errant Man. All Man could do was submit, while turning more pious and charitable. After a couple of stressful years the attitudes changed. Americans decided, almost overnight, that the depression had been brought on not by a just God but by unjust men, including Samuel Insull and maybe Pierpont Morgan. If men caused it men could correct it, by golly. The New Deal set out to do the correcting.

A distinguishing feature of any economic system is the social instrument used to level differences in wealth and income, including succor of aged and infirm individuals. Earlier, true to our rural-agrarian heritage, a minimum economic opportunity was provided by easing the terms of access to land. Apex was the Homestead Act. Welfare assistance was localized. In opening years of the 20th century a step was taken that I have regarded as exceptionally indicative of our moving into an urban-industrial age. It was enactment of a progressive personal income and estate tax. Then during the depression the New Deal went much farther, not just in levying personal and corporate income taxes but in introducing various income security measures.

Meanwhile, by the time of the depression agriculture had sensed not only that it was a shrinking proportion of the economy but that its decentralized proprietary structure was inconsistent with the make-up of the new industry. To be sure, agriculture had industrialized much of its technology. It had gone far to commercialize its business activities, thereby making farms more vulnerable to interruptions in cash flow. But it retained its independent small unit structure and continued to be serviced primarily by open markets.

So it was that the New Deal established general economic policies that in retrospect we regard as identified with an urban-industrial nation. In agriculture the course taken was similiar yet also more mixed, reflecting the hybrid make-up of the sector.

After 50 years it is still difficult to fit the fit the farm programs of the New Deal — or even those since — into a neat institutional taxonomy. We know about acreage reduction and price support loans and crop insurance. But they do not correspond to the categories most of us learned in courses in comparative economic systems. The best economic coinage I can offer is that farm programs of the 1930s have in common that they were authorizations for farmers' collective action. I will return to this point later.

The Ferment of the 1920s

In a sense the farm laws of 1933 and later began not with the price breaks of the early 1930s but with those of 1920-21. Not everyone credited the debacle following World War I to God or fate, or was willing to stand idly by. Two newcomers, emerging not from farming but from the farm machinery business, deplored the low prices. George Peek and General Hugh Johnson said the proper price standard was parity. In 1922 Peek and Johnson published Equality for Agriculture.

During the 1920s agriculture fared neither well nor badly. But it did not share fully in the prosperity or the euphoria that came to the cities.

I will not recount how many ideas were dallied with during the decade, or how few adopted. Businessmen's commissions were in vogue. They advocated providing economic information, and had much to do with bringing the Bureau of Agricultural Economics into being.

Nowadays we tell ourselves that we have suddenly become internationally-minded. Believe me, farm leaders were internationally minded during the 1920s. Henry Wallace joined a host of others who said our nation's change from a debtor to a creditor nation reversed our trade-flow, thereby hurting agriculture. Many of the proposals for farm programs were intended as the equivalent for agriculture of the tariff protection enjoyed by manufacturing. Often, world markets were looked at as sponges to soak up our farm surplus.

The 1920s were a decade of ferment, of advocacies, but of only two thrusts of action. The first was the cooperative movement. It was the time of Aaron Sapiro and his promotion of cooperative cartels. His dream proved impractical but a number of aggressive marketing cooperatives were established.

The second undertaking was to establish the Federal Farm Board, which eventually served to warn framers of New Deal farm legislation what not to do.

Who did the thinking, inventing, however futile? Farm and agribusiness leaders were active, of course, but a few professional scholars got into the act. To be sure, in those days most respectable economists quoted Marshall and Taussig, and anyone who dabbled in farm programs was déclassé. Nevertheless, then as now a few brave souls went against the tide. Best known now are the three economists who contributed most to developing the Domestic Allotment Plan, the model for the Agricultural Adjustment Act of 1933: William J. Spillman, Milburn L. Wilson, and John D. Black.

Two good source books for an account of the 1920s are the work of the time, now a classic, Agricultural Reform in the United States, written by Black; and Harold Halcrow's forthcoming Agricultural Policy Analysis. Halcrow devotes a number of pages to the events of the 1920s.

As so little tangible emerged, the 1920s could be written off as not significant. To do that would be a mistake. During the decade agriculture discovered itself as a sectoral entity. The notion that national economic policy could — and, some said, should — make a difference to agriculture's welfare gained a growing number of adherents. The topics in Black's Agricultural Reform are themselves noteworthy. They were not just the equalization fee, McNary-Haugen plan, and domestic allotment. They were also land use policy, marketing, factory-vs.-family farms, transportation, farm labor, and agricultural credit. Agriculture was getting ready to be introduced, at least part-way, into the urban-industrial age of the nation.

Social Unrest

A case can be made that most social inventiveness occurs during crisis. How broadly the generalization holds is questionable, but not to be questioned is that distress and protest movements in the countryside during the depression had a lot to do with creating the New Deal's farm laws. Those movements were more influential than all the farm organization presidents and farm economists bundled together. In the final analysis, farm and Congressional leaders were willing to gamble on an Agricultural Adjustment Act of 1933 because they were scared.

Despondency in the country was endemic. Farmers by the thousands were being forced off their lands. Foreclosure sales of farmland were being stopped by violence. The account in James Michener's Centennial is realistic. Congressman Frazier was making a nationwide pitch for his debt moratorium. But looming above all else was Milo Reno's Farmers' Holiday Movement. Reno was the civil-disobedience father of the New Deal farm laws.

Unrest in the country was companion to radical political movements in the city. To my knowledge, few farmers embraced the communist party; but urban and rural protest had in common that each was a threat to stability. To this day I wonder whether it was good sense or good fortune that led us in the United States to choose a democratic way out of our distress when the equally modern nation of Germany went a different direction. All I learned for certain during the 1930s is that despondency is dangerous to a society; and further that those members of society who remain financially secure are for the most part insensitive. The well-off must see the guillotine before they fear it. So it was in the risky 1930s; but so has it been also to date in the 1980s, though to less degree.

Institutional Structure of New Deal Farm Laws

It is an anomaly that New Deal farm laws of such institutional significance were viewed at the time as farm relief. The term was a carryover from the 1920s, but in addition generous citizens simply wanted to get money to impoverished farmers, and to help them to keep their farms. It was statistically true that average income per person of the farm population in those years was only a little more than half that of non-farmers. The figure impressed!

The simplest "relief" would have been to pay out money. Parity payments, antecedent to today's deficiency payments, were in fact provided for. But direct handouts were anti-Puritan. Also, economists knew that demand for farm products was inelastic and that money spent to reduce output would multiply its income-benefits several fold.

So farmers were offered an inducement to reduce their acreage. Institutional restructuring began.

I warned above that is difficult to characterize the institutions brought to agriculture by the New Deal, except to say that all involved some form of collective action.

The programs were not authoritarian. To my knowledge no acreage or volume control has been engaged in without a favorable vote by farmers. Not the old acreage allotments for wheat and cotton, nor present allotments for tobacco, nor any of the marketing orders. All must be voted into being. Government is the enforcing agent, and in most cases it has a more piercing role too, that of monitoring social acceptability. But a plebiscite precedes compulsion.

Manifestly, as New Deal farm programs involved collective action they presupposed collective identity. As I noted above, this was generated during the 1920s.

Rather than develop a taxonomy I will sketch several pairings of concepts.

One is the choice between governmental involvement in the price discovery process, versus working through supply and demand forces. In 1933 George Peek, as first administrator of the Agricultural Adjustment Administration, tried to apply ideas he brought with him from the administered-price farm machinery industry. Peek wanted to use negotiation, licensing, and similar techniques to administer price upward. Chester Davis, no doubt spurred by the neoclassicist John D. Black, led in insisting that only the supply-demand scissors can be truly effective. Peek left for a protest role. Ever since, except for flirtation with collective bargaining farm policy has been grounded in what I continue to call "price determination," in contrast with "price discovery."

A second dichotomy is single- versus multi-commodity orientation. This has been a difficult choice. The first programs were commodity by commodity. The 1936 program, based on soil conservation, was somewhat less commodity specific. The Soil Bank of the 1950s incorporated the concept of overall surplus capacity, not just disequilibrium for a specific commodity. The set-aside of the 1970s reestablished the principle. Now in the 1980s we are back to single-commodity programming.

Third pairing is the familiar voluntary versus mandatory acreage reduction. During the 1930s my professor and Administrator, H. R. Tolley, preached monetarily-induced voluntarism — no duress. The cotton and tobacco people wanted none of it. They pressed for, and got, mandatory programs. They resented free riders who could un-do what cooperators accomplished. Almost 30 years later John F. Kennedy as President tried to put more mandatory teeth into a wheat program, on grounds that citizen-consumers ought not be asked to bribe farmers to take action in their (farmers') own best interest.

Another institutional issue worth flagging is the role of farmer marketing cooperatives. Can they be the instrument of commodity stabilization? Early enthusiasts thought they could. They have not been used much for the purpose. Cooperatives are highly influential only in administration of some marketing orders.

The most fundamental issue in design of farm programs, in my judgment, is whether commodity action is still only farm relief or constitutes what has come to be called supply management for an industry. The former view prevailed in the 1930s. All farm laws were called emergency. All programs were for a season. Even the loan and storage device was intended only to enable a farmer to store his crop at harvest for sale on a more attractive market a few months later.

Viewed historically the truly pathbreaking law was the Agricultural Adjustment Act of 1938, drafted in large measure by my chief, O. V. Wells. For the first time the design of an acreage progam was related to anticipated domestic and export utilization, carryover stocks, and expected production under various price incentives and program restrictions. It provided for supply management. The conceptualization has persisted to this day, though it comes into and goes out of political favor in cadence with the disappointment quotient in farmers' income —in counterpoint, of course. During bad times we manage.

Critics may have trouble accepting supply management philosophically. I suggest that the greater problem is that in an agriculture where wealth and income, and farmers' tenure status, are so uneven, commodity management bears only a thin connection to relative welfare of the intended beneficiaries. That is to say, for a great many farmers commodity management does not provide much relief (improvement in income). Each new generation of agricultural economists thinks it has newly discovered this attribute of programs. Their ideas are not that original. In reality, the flaw was sensed from the earliest days of the 1930s, when big planters warred with little farmers, when rules had to be established shielding the interests of tenants, and when minimum allotments protected the smallest cotton and tobacco farmers. The Resettlement Administration was intended, in part, to aid farmers whom the Agricultural Adjustment Administration passed by.

In retrospect, it seems to me that in spite of all the battles in the farm programs of the 1930s, the distributional issue was given more attention then than now. These days, we bemoan and berate but do little. This observation leads to a further comment on the tone of the 1930s. The atmosphere was confident, activist, upbeat. My fellows and I were sure we could improve agriculture and, maybe, the world. Much of the public was supportive. In attitude toward government there was little of the superciliousness that prevails in the 1980s. Except for the Roosevelt-hating crowd, in the New Deal 1930s citizens had faith in their government and wanted it to act to relieve the misery that the depression had brought.

Finally, the farm programs of the 1930s were a boon to agricultural statisticians and economists. It's a contradiction of our discipline that the majority of agricultural economists stood self-righteously aloof from the dirty farm programs, even as those programs offered an outlet for expertise as never before. Program-makers such as Tolley, Elliott and Wells needed people, data, and anlayses. An outlet was finally found for the price analyses of Ezekiel and Elmer Working. I helped compile data on national product and income, commodity supply and distribution, and acres of land needing erosion control. Agricultural economists were in business.

For if agriculture is to be self-conscious about its sectoral identity, and is to accept partial industrialization in an urban-industrial economy, it must have numbers of self-measurement. It also needs people who know how to interpret and manipulate those numbers. The exercise engaged agricultural statisticians and economists in the 1930s. It still does so today.

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