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AN APPRAISAL OF SOME ASPECTS OF THE
TRANSITION PROGRAM FOR AGRICULTURE 1/

by

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Policies and programs

In any attempt at appraisal one must speak merely as an individual and out of a certain general background of philosophy, depending for acceptance of conclusions merely on the reasonableness of the propositions and the general acceptance of the points of departure. Secretary Wilson and Dr. Elliott have presented phases of this program as it looks to them from within the administration. This is an attempt to look at it from a more detached position, and possibly in terms of a somewhat different philosophy of agricultural welfare.

The federal agricultural program of the past three years has been marked by significant changes, both in the stated objectives and in the methods of procedure. It seems defensible, therefore, to speak of it as a transition program in a special sense, even though we recognize that all national programs are transitional in some degree. At the time this paper was started, around October 1, it seemed we were moving away from the sort of approach which characterized the original A.A.A.--moving toward a program based more largely on a national rather than a group viewpoint, one in which there would be more local determination and management, and one in which the feature of crop control and of individual crop subsidy would be less pronounced. During recent weeks there has been apparently considerable revival of the idea of control and of programs in terms of individual crops. Whether this will result in a reversal of the tendency indicated above remains to be seen. At any rate, it seems worth while to try to see more clearly what is the nature of the new program which is emerging and whether it is likely to be adequate for the needs of the years ahead.

This new program is of course not a fixed or rigid one. Those in charge have emphasized their desire to keep it flexible and alive. This flexibility is an element both of strength and weakness. If it means constant modification in response to new and better understanding of the nation's needs in terms of certain fairly well defined basic goals, such flexibility will be all to the good. If, on the other hand, it results in following too closely the swings of popular sentiment in the farmer group, which is the only one organized for participation in the making of these policies, it is likely to be subject to many of the evils which characterized the N.R.A. The popular view of any entrepreneurial group tends to be a short-run outlook much concerned with localized problems rather than with the larger and more fundamental aspects of the situation.

Traditionally the Department of Agriculture and the agricultural colleges have sought to lead the way to new and better procedures based upon scientific studies. For the most part these were not things farmers sought consciously. Often considerable farmer resistance was encountered. This seems to raise some question as to how far we can go in following popular sentiment and still be a constructive force rather than a factor emphasizing the swings from one extreme to another. In so far as the direct farmer participation in policy formation operates as an educational device it will aid materially in furthering constructive

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handling of the affairs of the nation. In so far as it sets up more comprehensive machinery for group dictation of national policies in terms of limited outlooks and short-run programs, it presents certain dangers which must be considered. Lincoln may have been warranted in his conclusion that the people are always right. My own feeling, however, is that they are usually right about the things they understand, and often dead wrong about things they don't understand.

Too much flexibility in such a program as this we are considering can result in failure to attain significant fundamental objectives. A group of 6,000,000 farms is a ponderous thing, difficult to change at best. Only steady pressure in a given direction continued over considerable time will result in changes which can be detected ten years hence. This fury of activity designed to shunt the agriculture of the nation onto a different track may easily result in retrogression rather than progress unless it can be settled into steady continuous efforts toward well-defined goals which are not changed too frequently. The lack of such settled policies and of the patience required to move mountains has been one of the most serious weaknesses of the present administration. Unless there can be developed patience and the humility necessary to breaking the problem down into manageable tasks, and persistence along given lines for sufficient periods to accomplish worth-while results, many of these efforts will sooner or later go the way of the Farm Board, the N.R.A., and the Populist Party.

In these respects some of the new programs are much more settled, definite, and prospectively continuous in given directions than others. Also in some cases necessary concessions to expediency have wisely been segregated from the fundamental long-term efforts. An excellent example of this is to be found in the commissioner's loan phase of the work of the Farm Credit Administration.

Turning to more specific consideration, nearly all will agree that the first approach to the agricultural program by the Roosevelt administration was an emergency one. There is little need to rehash the desperate situation of thousands of farm families, the bitterness of despair, or the danger to established institutions and orderly procedure which existed at the time the measures adopted in 1933 were undertaken. The administration attacked the problem realistically and without delay, seeking first of all to clear up the wreckage and get the agricultural machine onto an even keel.

While the Agricultural Adjustment Administration was the most spectacular of the moves in this direction, it was by no means the only one and not at the time the most significant one. Immediate measures of large importance were the far-flung program of refinancing and the abandonment of the gold standard. The first of these was particularly important because of the breathing spell it afforded and the fact that it had an important nucleus of machinery and established procedure. From the standpoint of stabilizing land values and checking foreclosures, this large-scale pouring in of new credit to replace sources abruptly dried up was of paramount importance.

The currency features of the program, in their agricultural significance, were in the main secondary effects of the efforts to save the banking structure. The most significant devaluation occurred when the gold standard was abandoned and the dollar was allowed to cheapen to a reasonable trading basis with the currencies of the countries then off the gold standard. Two other large-scale programs were projected into the situation, neither of them well thought out or very significant in the immediate problem. These were the ones undertaken by the Resettlement Administration and the Soil Erosion Service. Another move, less spectacular and more of regional than national significance, was the plan for orderly administration of the public domain under the Taylor Grazing Act.

None of these except the refinancing program, the Agricultural Adjustment Administration's activities, and the abandonment of gold could properly be regarded as an emergency move. The attempt to develop an emergency program in resettlement and in soil erosion has been responsible for considerable fumbling, wastefulness, and confusion in these services.

I shall not attempt to discuss further the refinancing program. The revised set-up and procedure were built for quick and effective action in replacing an archaic and unconstructive financing situation which had characterized American agriculture since the beginning of commercial farming. The monetary aspects of the program likewise are outside the scope of this discussion. Fortunately the more unintelligent monetary authorizations provided in the various recovery acts, except for the silver purchases, have not been used extensively. The dollar revaluation and the extensive financing of government expenditures through credit operations, while of far-reaching importance to agriculture, constitute a broad field of discussion in themselves and cannot be considered here. In this paper we shall look more specifically at the three major programs which have been gradually crystallizing out of the legislation enacted during this administration, namely the soil conservation and domestic allotment program, the Resettlement Administration's program and the work of the Soil Conservation Service.

The present administration was the first in the post-war period to give significant recognition to the fact that America must adjust itself to a changed production and marketing situation, which has developed out of our abrupt transition from debtor to creditor status. While its efforts to check or do away with market demoralizing accumulations have been bitterly criticized by many people, it seems clear that some such drastic procedure was needed. Though other measures might have been undertaken, the horizontal acreage reduction program, as an emergency measure, seems at least as logical as any workable alternative proposed. Logical criticism of it rests mainly on its effectiveness. One may well question how much this program would have accomplished if the drouths of 1934 and 1936 had not operated in the same direction. For example, in wheat and cotton, Messrs. Davis and Richards in their Brookings Institution studies concluded that reductions attributable to the adjustment program were, for wheat in 1934, something between 7 and 10 per cent, and for cotton, in 1933, 24.4 per cent, in 1934, 28.9 per cent. It is doubtful if these changes would have been sufficient in themselves to ease materially the pressure of the large accumulations then existing. This is particularly true with respect to wheat. However, it is not with this first program that we are most concerned at present, but rather with its later modifications.

Despite the possible reemergence of heavy production and low prices, the time seems now to have come when we can put aside for the most part the purely emergency aspects of the national program for agriculture, except for localized activities relating to extreme drought conditions or special and localized physical disasters and economic disturbances. Agricultural cash income has climbed back in 1935 to \$7,201,000,000 and to a figure roughly estimated at around \$8,000,000,000 for 1936. This is a recovery from the extreme low of \$4,377,000,000 in 1932. Agricultural income is not, to be sure, on a level with that of the peak years but it is reaching well up toward the average for the 1920-1930 decade despite widespread drouth and crop failure, possibly even because of these factors. Not only has income increased but certain important items of expense have been substantially lowered. For example, interest on mortgage debt amounted in 1928 to \$563,000,000 or 4.9 per cent of gross income. In 1932 the interest bill was \$511,000,000 or 9.6 per cent of gross income, but by 1935 this item had dropped to \$370,000,000 or 4.5 per cent of gross income. Total mortgage debt had fallen from \$9,468,000,000 in 1928 to \$7,500,000,000 in 1935. During about the same period

farm taxes had fallen from an index of 239 in 1928 to one of 154 in 1934. ^{2/} If, on the other hand, we consider the price parity criterion adopted by the Congress in 1933, it shows agricultural prices substantially at parity. It would, of course, be unwarrantable to assume that situations involving heavy accumulation and low prices may not arise again with improved production conditions.

In considering a national agricultural policy designed to stabilize the industry, promote agricultural welfare and conserve national resources, I am disposed to accept the implications of the present program at face value and to discuss it in these terms. Looking at the problem in this way we may state a group of objectives on which it would seem there should not be great difference of opinion, at least among those who take a social rather than a special interest point of view. Such objectives would consist in part at least of the following points:

1. To develop a program which will check progressive deterioration in the land and timber resources of the nation and will rebuild where the social values and costs warrant such rebuilding.
2. To bring about as rapidly as practical some type of equilibrium adjustment to a changed export-import situation and to provide methods for a more effective and less painful adjustment to changes of this type which may occur in the future.
3. To contribute as fully as possible to a full and well balanced agricultural and industrial production program in which the major stoppages in the flow of goods and services will be minimized.
4. To provide an efficient and constructive farm credit system associated with a general monetary program which will contribute to a stable situation in general business activity.
5. To provide a federal program of classification, acquisition, and administration of lands with a view to acquiring and administering such lands as can contribute most to the national welfare if under federal control. At the same time to cooperate with the states in constructive planning of land use in those realms which have primarily a local rather than a national significance.

This omits a number of secondary objectives such as the development of better systems of land tenure, facilitating shifts of population from areas and industries of lesser opportunity to those of greater opportunity, and the improvement of social conditions within given areas and industries. A number of these have significance from a national viewpoint but in the main they can be better dealt with through state and local activity provided the more localized agencies can be induced to undertake such programs vigorously.

Much remains still to be done in developing logical and efficient relations between national and local agencies and a suitable division of functions. There has been much tendency for the federal agencies either to absorb the energies and

personnel resources of local agencies or to duplicate, often irresponsibly, many of their functions. What is needed is a serious and continued effort to find out which things can be best done nationally and which locally, and to work out divisions of functions and modifications of organization according to such findings. There should be no presumption that given problems should be left to local agencies, except as constitutional limitations force this. Neither should there be a presumption that federal action should be undertaken, except as logic and experience point to this as the most effective way to achieve results that are clearly desirable. The federal agencies have important possibilities in stimulating, aiding, and guiding local activities in many lines. For many of the problems, however, attempts to operate directly on a national basis result in wastage of funds, and in ineffective or unsuitable procedures. This is particularly true in such fields as land-use planning and resettlement of farm families. Many of the current problems are, of course, unsuited to state or local handling and should be approached directly and vigorously through federal action.

Turning more specifically to some appraisal of the general program in terms of the objectives stated above nearly all can subscribe to the plans dealing with the first of these, that of conserving land resources, provided we are satisfied that:

- (a) We know what practices will actually conserve and build up soils.
- (b) The machinery for accomplishing the ends sought is efficient and well coordinated.
- (c) Payments are made only to cover costs that contribute significant social values which would not arise if dependence were entirely upon private action.
- (d) Future social values can be sufficiently identified, measured, and offset against the present values obtainable through other expenditures of funds to warrant the program.

This leaves plenty of scope for the work of the researchers for some time to come. The weakest links in the present program, so far as this objective is concerned, fall under items b, c, and d. Item b presents one of the important problems in the period just ahead. The federal government has at least five major agencies dealing with agricultural conservation problems; namely, the Soil Conservation Service, the Agricultural Adjustment Administration, the Forest Service, the Grazing Service, and the Reclamation Service. More adequate coordination of these both in the matter of objectives and of functions is a vital necessity. Some progress has been made along these lines, but this situation still remains one of the major inefficiencies of the federal government. Two of these agencies and one other, the Resettlement Administration, under pressure to make a showing, have undoubtedly been developed faster than the problem and efficient methods of attack could be worked out, and faster than personnel could be trained and developed.

The policies which are developing represent an almost complete reversal of the country's traditional outlook with respect to agricultural lands. We are like an army in which part, perhaps most, of the units have reversed direction, while others are still traveling in the old direction. It will require good generalship and adequate time to establish a new front and appropriate functioning of the various units. Without these we may fall into confusion and become an easy prey to opposing forces. It would be a gross tactical error to assume that there are now no opponents of the revised program, ready and willing to capitalize

on and magnify its mistakes. Soil conservation, like land planning, will be farther ahead ten years from now if it attempts to do only those things which are clearly desirable and does well what it does do, than if it attempts measures of doubtful merit and proceeds before its machinery and personnel are adequate to the task. I am speaking here, of course, of soil conservation, not of the income transferring aspects of the program.

Is it either necessary or desirable to have two major federal agencies dealing with the conservation of soils in farming areas? It is true that an effort has been made to lay out a considered division of labor between the Soil Conservation Service and the Agricultural Adjustment Administration. ^{3/} Commendable though this may be as a stop-gap, to assume that it will prevent duplication of effort and eventual friction between these two agencies would imply some lack of appreciation of the past difficulties of various federal agencies.

Beyond this lies the problem of working out more clearly suitable relationships to the agricultural colleges and experiment stations. These in a very real sense are a connecting link between federal and state activities in agriculture. They are supported both by federal and by state appropriations. Both political units may logically look to them for service along the lines for which they are established. It is desirable, however, that we have a clear conception of what those lines of service are, as established in legislation and tradition, and, if we change these functions, do so consciously and after real consideration of the logic involved. The land-grant colleges were established for research and teaching, including extension teaching. We are confronted here with a program which involves many features of operating and regulatory activity. I do not say it should not be undertaken, but if it is, it should be recognized as a major change in the functioning of the agricultural colleges and should not be slurred over or taken as a matter of course. While crowding the colleges into an operating program largely outside the generally accepted scope of their functions, has there not been some tendency at the same time to develop duplicating and often much less significant researches which could be handled better by the colleges and the research divisions of the Department of Agriculture? ^{4/} This problem has not been prominent in the Agricultural Adjustment Administration but has been evident in some of the other newly developed agencies. ^{5/}

^{3/} See Secretary Wallace's Memorandum for employees of the Agricultural Adjustment Administration and the Soil Conservation Service. Office of the Secretary. August 4, 1936. (Mimeo.)

^{4/} See, for example, various discussions of these problems during recent months, among them:

Tolley, H. R. The farmer, the college, the Department of Agriculture -- their changing relationships. Address, Association of Land Grant Colleges and Universities. Houston, Texas, November 18, 1936.

^{5/} The Resettlement Administration in particular has tended to range over nearly the whole field of agricultural activity with little visible effort to develop a workable division of labor with other agencies or any adequate distinction between emergency and long-run programs. An attack on all fronts at once is likely to result in little gain anywhere. The Resettlement accomplishments are not impressive, considering amounts of money used. In part the difficulty has been an attempt to carry out too broad a program.

In the Soil Conservation Service program has there been a real gain from building a new organization to carry on work which might perhaps have been developed in the Bureau of Chemistry and Soils, and demonstration work which possibly could

Footnote 5/continued:

have been built up in the federal and state extension services? The fact that the A.A.A. program as first initiated contained little definite provision for the soil building may have justified some other approach to this admittedly important problem, but raises serious question as to the desirability of continuing the two organizations in their present form.

Referring now to item c, the problem of how much the benefit payments should be, raises a number of unsolved problems. If we are considering this as a soil conservation program, without regard to the effect on the distribution of income, the principle seems clear. Payment should be made for worth-while expense incurred beyond the amount which the farmer would consider it profitable for him to put in, plus enough more to induce him to undertake the program. This latter inducement would probably need to be only a very small amount. An attempt to convert this principle into concrete terms does, however, present many difficulties. First is that indicated under item d, how to measure the social values involved. Does conservation mean maintenance of status quo with respect to soils, grazing cover, etc.? Shall we seek to build up in some areas while permitting deterioration in others? 6/ The immediate cost of a given shift can be fairly readily measured by considering relative direct expenses and adding income sacrificed through growing a different crop or none at all. The main difficulty here is in the variability of costs from farm to farm, and in considering how immediate a return must be to rate as current income. The more difficult feature lies in determining where to place the margin of worth-while and not worth-while public expenditure for further conservation activities. Here some criterion more clearly stated than at present will have to be developed. Beyond certain limits public funds will be better spent in acquiring and providing suitable administration for low value lands than in carrying out erosion control and other conservation measures on privately owned lands. Many of the areas presenting serious erosion problems can be handled more effectively and economically through public administration than through private.

The third major objective, to contribute to a full and well-balanced agricultural and industrial production program, has been discussed at some length in a paper presented before this association a year ago. 7/ I shall therefore touch on it only briefly and in the way of reiterating certain concepts which seem to me fundamental. These are in the main that:

1. The agricultural economy is not an isolated segment of the national economy but an intimate part of it; that an adequate national production policy will seek a balanced large production of goods and services both in industry and agriculture, not a balanced small production.
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6/ This brings into the foreground in America certain viewpoints which have been a subject of considerable discussion in Germany. Liebig's philosophy that fertility should be restored in the amounts used has been sharply criticized by later writers such as Aereboe and Brinkmann.

7/ Benedict, M. R. Production control in agriculture and industry. Jour. of Farm Econ. August, 1936.

2. The effect of pouring funds into a depressed segment of the national economy for pump-priming or depression-preventing purposes depends on the timing and method and is no more and no less important in the agricultural segment than in any other group of similar size.

It would appear that sound national policy calls for vigorous steps to check major disasters to any large group before these can spread to others, rather than to have to undertake the dubious process of restarting a ponderous machine after its momentum has been lost or perhaps even its direction of movement is in reverse. If we take this view of the situation, we shall have a national policy oriented not specifically to agriculture, or to any other industry, but rather one which will seek to recognize at an early stage any large-scale stoppage of flow in purchasing power, and will seek to recognize and speed up the fundamental adjustments required. Such a plan would look not to a continuous program but to a series of emergency programs, now in this branch of economy, now in that. If possible of attainment, such an outlook would avoid in some measure at least the danger of developing a multitude of vested interests such as those which characterize the tariff situation.

A program of this kind would be separate from but not in conflict with the soil conservation activities, and should have a very flexible approach. It might involve aiding an interregional shift in production, it might mean efforts to replace a destructive tenancy or cropper system with a more desirable tenure. It might even consist in efforts to aid in readjusting land values to a new equilibrium situation. Where large numbers of unstabilized laborers tend to develop, it would contemplate efforts, in cooperation with the states, to adjust these situations. ^{8/} For programs of this type it would seem that the procedures developing or possible under the marketing agreement section and under section 32 may be better adapted than the soil conservation provisions of the act. It seems possible that some rearrangement of the organization along these lines might well be considered. In the marketing agreement and section 32 features of the program there is need for much better defining of bases of action to lessen the necessity and opportunity for purely personal decisions. The present situation opens the way both to inconsistency in treatment of different proposals and even to serious abuses or charges of abuse.

The second general objective stated is that of bringing about an adjustment to a new equilibrium in the production and consumption of agricultural products. There does not appear to be in the present program of shifting acreages to soil improving and soil conserving crops any assurance that market supplies will be kept within amounts commensurate with prices which farmers and the Congress will regard as fair. Presumably we shall have good crop years again. The program of soil improvement is not oriented to a price objective. It assumes that the recent levels of crop production were soil exploiting. This is probably true. But as a long-time program the plan does not imply smaller production. It presumes to insure the maintenance or improvement of production -- perhaps, however, on a lower level of cash-crop production. The shift in this direction should aid in holding prices of cash crops somewhat above what they would otherwise be, and very possibly will improve the balance in local consumption of agricultural products.

^{8/} In matters of this kind it is difficult to see clearly what division of functions as between federal, state, and local units of government will be most constructive. It would seem to me, however, that as compared to recent tendencies, a policy of larger reliance on state and local units, while almost certainly slower, is likely to lead to fewer mistakes and ill-considered projects.

It does, however, introduce some unknown quantities into the livestock situations. Withdrawal of marginal lands may contribute in some measure, though not largely, to developing a new balance which will not be dependent on arbitrary crop control measures. The matter cannot be met by the "ever-normal granary" idea. It is quite conceivable that we might produce year after year for considerable periods larger amounts than would sell at what would be generally considered satisfactory prices.

If this is true may it be that the ultimate solution, unpalatable though it may be, will have to look to letting agricultural prices find a new level, resulting from supplies produced under good conservation practices, let land prices reach a new equilibrium, and withdraw lands which prove to be submarginal under these conditions? This presumes, of course, continued efforts to reestablish a more rational trade between nations, though, like Mr. Wallace and his aids, I am not too optimistic about the success of these efforts on any large scale. Effective machinery for providing greater stability in the industry is probably more significant than the specific price level at which stability is established. A price situation maintained artificially at considerable variance with the levels which would result from a more freely competitive situation constitutes in itself a serious threat to the stability of the industry since such support may be withdrawn rather suddenly if there is a considerable change in public sentiment.

If such an adjustment comes on gradually through moderate increases in productivity accompanied by increasing purchasing power of consumers, such a program may be entirely feasible and may cause no great hardship. It would operate in the main merely to prevent an undesirable speculative upswing in land prices of which there are some indications at present. If, however, we have in the near future abundant crops and precipitous drops in prices of farm products, price-supporting measures of a more vigorous type than the soil conservation program will be demanded and undertaken. In such an event it would seem desirable to consider more extensive efforts to transfer excess supplies to undersupplied segments of our own people rather than to send them to other nations at bargain prices or to prevent their production if such curtailment is not a logical part of a constructive conservation program. Procedure along these lines has limited possibilities, but could be carried farther than it has been thus far.

In carrying out either the soil conservation benefit payment program or the crop curtailment program, more might be done to build constructive farming systems than has been done thus far. Extremely large highly industrialized units have in many cases been in a better position to obtain substantial payments than have small units where greater need existed. Such considerations apply, of course, much more significantly in income-transferring aspects of the program than in the strictly soil-conserving aspects. There has been in the early stages of the agricultural program too much tendency to think in terms of agricultural people as though they were a single homogeneous group rather than to consider effectively the various distinguishable groups within agriculture and their relative conditions and needs. The United States has one of the most destructive tenancy systems in the world. The soil conservation program, if directed consciously to that end, can do much to introduce greater stability into owner-tenant relationships and to check the rapid deterioration of tenant-operated farms.

In the resettlement program, now apparently in process of reorientation under proposed new legislation, there seems too much emphasis upon the desirability of owner-operation as an end in itself. Changes from tenancy to ownership must inevitably be slow and extremely expensive in government funds. Relatively few families can be aided with resources probably available, and ownership to many of

these will be a doubtful gain when accompanied, as it usually must be, by heavier financial obligations than their resources, abilities, and general conditions warrant. After all, is not the real objective security of tenure and opportunity to carry on a constructive, well-balanced farming venture? Might we not well give major emphasis, at least as a first step, to the development of desirable and constructive forms of farm tenancy along lines that have been long established in some of the older countries such as England? This need not, of course, preclude attempts to facilitate the attainment of ownership status especially for the younger farmers. Purchases with long-time commitments for payments will be of doubtful advantage to the older non-owning farmers provided the alternative is an opportunity to lease on a stable and constructive basis.

Attempting a brief and very inadequate summary, we might say:

1. That the greatest need in the soil conservation and land use features of the program is for better organization of the machinery, both federal and local, and for restriction of the program to measures clearly demonstrated as desirable, in terms of well-defined and generally accepted objectives.
2. That the parity income goal as now stated is inadequate and largely meaningless. It separates people in terms of place of residence rather than by occupation, economic status or need. The approach in income analysis should be in national terms with a breakdown into significant and reasonably homogeneous groups. Efforts at emergency income adjustment should be directed to any important depressed group whether agricultural or industrial with a view to preventing the spread of depression conditions.
3. The program should not be so flexible that it operates merely as a follower of short-run shifts in public opinion, and loses sight of basic national objectives.
4. There has been apparently too little recognition of the demand phases of the problem and a relative overemphasis on adjustments through supply changes.
5. The administration has to some extent been torn between concepts of an economy based on consumer welfare and an action program based on the traditional American policy of favoring the producer. It would seem that skepticism concerning the older approaches to these problems is warranted but the thinking has not yet been fully worked out into a consistent new economic philosophy.