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OBSERVATIONS ON AGRICULTURAL POLICY

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Submerged as we commonly are in specific tasks, we do well at times to seek to view policy issues in the large. Perhaps discussions such as this may stimulate some of us to make more effective contributions toward wise evolution of our national agricultural policy.

I appear on the program at the urgent request of the President of the Association, after two others whom he had previously invited had declined. In drafting my paper I have tried to follow his suggestions. I shall speak with the freedom of one who for years has had no official connection, and who is not more or less involved in implementing national policies through a state agricultural college. I cannot do full justice to the subject, not only because of limited time for preparation and delivery, but also because I do not pretend to have mastered its intricacies. But I hope to give a provocative discussion, temperately critical and constructive, presenting ample targets for your verbal shots.

I. Introductory Considerations

There is urgent need of finding ways to enlarge and improve our research in agricultural policy,1/ as well as the techniques of bringing research results to bear on the adoption of policies. Three main types of policy research projects, in order of increasing difficulty, may be put thus:

(1) Actual policies and programs call for intensive, skilful examination that goes beyond superficial narration of events and changing ideas. It should proceed to segregate results attributable to the measures from those due to more or less accidental disturbing factors, and culminate in unbiased appraisal of the whole.

(2) Proposed policies and programs call for searching examination. This should include penetrating study of their objectives, with special

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1/ "The need for research in agricultural policy presents a challenge to the present generation of agricultural economists." Opening sentence of Research in Agricultural Policy - Scope and Method, Social Science Research Council Bulletin No. 21, June 1933.

reference to real aims as contrasted with mere talking points. There should be what I call a "projective" analysis, including a realistic forecast of how the measures would presumably work in practice and an appraisal of prospective results with respect both to the objectives and to other consequences, welcome or unwelcome.

In considering policies in vogue currently or in the past, the following questions should be answered:

Was the situation designed to be met, correctly analyzed?
Were the underlying assumptions of the policy correct?
Did execution of the program prove feasible?
How far were the intended results achieved?
Were the secondary results welcome or tolerable?
Was the net result worth the cost?

Similar questions deserve answer in reference to proposed policies.

I deplore the fact that the policies embodied in the Agricultural Marketing Act - to say nothing of later acts - were not previously subjected to adequate projective analyses of the sort of which I speak; and also that the same can be said, to the best of my knowledge and belief, of the proposed policy of the "ever-normal granary." On the other hand, I am glad to see bits of evidence of fundamental research on policy, here and there, far beyond anything that was being done a decade ago.

(3) On the basis of extensive studies of past experience, the current situation, actual policies, and projective analyses of proposed policies, constructive research should be directed to drafting proposals for policies and broad programs that seem to hold promise of best meeting the needs of the situation while avoiding disadvantageous consequences. In this field it is not to be expected that any one individual will be able at once to arrive at sound and comprehensive conclusions; but substantial progress can be made through the work of numerous individuals and its gradual coordination.

Important among the constructive policies to be drafted are those to be held in reserve for application in the event of serious war or major depression. We have had far too much emergency drafting of emergency policies. It is not too early to make considerable progress, through intensive studies of experiences during the World War and the recent Great Depression, toward the formulation of broad policies and provisionally detailed plans for dealing with corresponding emergencies if and when they should come upon us. Here is one of the most important opportunities of the Bureau of Agricultural Economics and the Agricultural Adjustment Administration, and a challenge to many outside official circles. I say this with full realization of the fact that adoption and alteration of policies rests primarily with Congress and the President.

Certain other differentiations deserve passing attention.

At any one time, I think it fair to say, we have a comprehensive policy toward agriculture, even though it may not be clearly formulated or recognized in any clean-cut fashion. One of the first tasks in approaching

policy problems is to get an orderly grasp of the numerous elements of actual policy, with their manifold incongruities and inconsistencies. The constructive task is not to formulate a policy as if none were already in existence. It is rather to propose modifications and new departures, and to secure a better integration of policies.

Two main groups of policies should be distinguished. First are those designed to bear directly upon agriculture or those engaged in it. Of these I shall shortly touch on numerous examples. Second are those designed primarily for other purposes but with significant influence upon agricultural developments. Signal illustrations of the latter are our immigration and industrial tariff policies; public stimuli to construction of railroads and highways, and to giant flood-control and water-power developments; and the currency, public works, and relief policies of the Franklin Roosevelt administrations. Such indirect or auxiliary elements in our agricultural policy deserve important consideration in any well-rounded treatment, though I have time to say little of them today.

We should also distinguish between active and passive elements of policy. Profoundly important in our agricultural policy, as comparisons with agricultural evolution in Europe and in China would plainly show, have been our constitutional guarantees of freedom of interstate trade throughout this broad land, and effective liberty to move from place to place and from one occupation to another. Almost unrestricted freedom to buy and sell farm land, another long-established passive policy, has been perhaps even more influential than our active national policy under the Homestead Act. The passive policy implied in exempting cooperative farmers' marketing associations from anti-trust legislation should be distinguished from the active policy of promoting farm cooperatives under the Agricultural Marketing Act and others.

In recent years agricultural policy has come to include more and more active elements, of which the production-control policy embodied in the Agricultural Adjustment Act is a striking example. But I submit that we had a policy toward agricultural production before the AAA, when that policy was predominantly one of laissez faire. The drift of recent years has been toward rapid expansion of active policies, in this field as well as others; but here, as elsewhere, we should remember that extrapolation of short-time trends is hazardous, and that the reaction that often follows action may spell either retrogression or wholesome progress.

Sharp distinctions should also be drawn between policies designed to meet emergencies - general, regional, or local - and those designed to deal with persistent problems. The drought-relief purchase of cattle, sheep, and goats in 1934 is in a different policy category from indemnification for cattle slaughtered after condemnation under tests for bovine tuberculosis and Bang's disease, or from the commodity purchases under the Federal Surplus Commodity Corporation. The corn and cotton loans of 1933-34 belong in a different category from current ever-normal granary proposals. Farm credit policies appropriate for conditions in the depth of severe depression are not necessarily appropriate for ordinary times. Huge federal subsidies to farmers, however camouflaged, are one thing in years of extreme agricultural distress and quite another in the general run of years. The grave emergency which the Agricultural Adjustment Act was ostensibly designed to meet has

passed. Though the President may have implied as much in his statement of October 25, 1935, he has not yet acted under the provisions of Sec. 13 of the act, to proclaim that "the national economic emergency in relation to agriculture has been ended"; but he is apparently free to define this in such terms that this "emergency" may last indefinitely!

With the qualifications implied in the foregoing observations, I accept J. D. Black's distinction between "policy" and "program," taking the former to mean "a more or less carefully considered course of action followed [or to be followed] consistently for a period of years,"[2] and programs to mean the detailed, changing measures by which attempts are made to give effect to policies. In considering policy or policies, interest centers on objectives and broad lines of action designed to attain these objectives, whereas programs are much more concerned with means to the ends and subsidiary lines of action. Policies should be adopted and altered with deliberation, whereas programs must and should be modified with considerable facility.

I shall try to concentrate on policy rather than programs, but I have to emphasize that actual policies must often be inferred from programs actually applied. No one who examines the AAA programs under the Soil Conservation and Domestic Allotment Act can fail to realize that production control remains part of our current agricultural policy, despite the Hoosac Mills decision invalidating the relevant features of the Agricultural Adjustment Act. On the other hand, in Sec. 32 of the August 1935 amendments to that act, Congress seemed to have deliberately committed the country to export-dumping operations on a huge scale; yet administrative action under this section shows that our actual policy cannot yet be described in such terms.

Certain broad principles of agricultural policy can be set forth on which there can be substantial agreement. I venture to mention five, as follows:

(1) The long-run welfare of the nation as a whole should be the all-embracing objective, the basic criterion by which specific policies should be appraised.

(2) The interests of all those engaged in farming deserve equitable consideration.

(3) Policies should recognize the existence of marked diversities in natural conditions, types of farming, types of farmers, and grades of farming ability.

(4) Policies should be formulated and modified with due regard not merely to recent experience and current conditions but also to persistent economic and social factors and forces.

2/ "The Problem of Determining an Economic Policy for American Agriculture," in E. A. Duddy (ed.), Conference on Economic Policy for American Agriculture (Chicago, 1932), pp. 1-5.

(5) The various policies should be integrated into a rational whole.

Two of these principles deserve passing comment here, and the fourth I must shortly elaborate.

Much of our agricultural policy per se, particularly in recent years, has been directly designed to provide "farm relief" or otherwise to promote the welfare of farmers. Such elements are naturally those most pressed by farm leaders and farm organizations. Fundamentally, however, the soundness of a policy (whether applied or merely proposed) is to be judged by its bearing on the long-run welfare of the nation as a whole. Injuries to certain groups as well as advantages to others must be weighed in studying the balance for or against a policy under consideration. Farmer welfare is not necessarily identical with national welfare. Conflicts of interest between farmers and the nation are fewer and smaller in reality than in appearance, but those which arise should be resolved in favor of the national interest. I shall not argue this basic proposition, for its truth would be acknowledged even by almost all who in practice generally ignore it. Extreme difficulty in applying this touchstone should lead, not to giving it little or no consideration, but to perfecting methods of discriminating analysis that are not yet adequately available.

Moreover, in so far as agricultural policy is designed to aid those engaged in farming, the interests of all groups within the farming industry deserve reasonable consideration. In the past, even the recent past, the interests of the less potent groups have been inadequately safeguarded where they have not been largely ignored. Such are farm laborers, croppers and share tenants, and small farmers of diversified agriculture as compared with landlords and farm entreprenours producing great staple or specialty crops. Few would dispute that here is an obvious defect to be remedied.

II. Conditioning Factors and Forces

Of the conditioning factors and forces I must say something more, at the risk of boring you with familiar facts. New departures in agricultural policy should be framed with due reference to powerful economic and social forces. The play of these forces can be modified by public action of various kinds, sometimes advantageously, sometimes disadvantageously. But they must always be reckoned with; it is exceedingly difficult to run counter to them; and so far as possible they should be utilized constructively. Here it will suffice to specify a few of these forces or their net results that constitute factors conditioning American agricultural policy.

The rate of population growth in the United States has been and is declining, and the age composition of the population is changing to include a smaller proportion of children and a larger proportion of those in the upper age groups. For these trends our restrictive immigration policy bears a major responsibility, and this might be but is not likely soon to be changed. But with existing limitations on immigration, social forces tending to restrict the birth-rate and to reduce the death-rate are highly influential. The same trends in most foreign countries constitute forces

that have important bearings on our agricultural outlook and policy. Broadly speaking, these now afford opportunity for technological developments to offset economic tendencies to diminishing returns in world agriculture. In the century before the war, a different balance of these forces enormously stimulated agriculture in overseas exporting countries and the expansion of international trade in agricultural products.

Technological progress in agriculture, industry, transportation, and commerce must be accounted an extremely important force. Its most spectacular expression in our generation is the rise of the automotive industry, with its concomitants and revolutionary consequences. But notable technological developments ramify through the whole economy, in Soviet Russia, Nazi Germany, and Fascist Italy as well as in progressive democratic nations. They exert important influence not only through expansion of agricultural output per person engaged in farming, but also through the multiplication of alternative products and processes, so that agriculture is decreasingly fundamental in the world economy and any one farm product is much less essential than formerly.

Partly in consequence of the foregoing, the tendency of agriculture to decline in relative importance, in a world so progressing, is a powerful force that is not commonly rated at its true value. Though by no means all people, even in the more advanced nations, are well supplied with what may be termed necessaries of life, this is due not to inadequate agricultural resources or output but generally to other things, including effective competition of other goods with essential foodstuffs and fibers produced by farmers. The prospective expansion of effective demand for farm products as a composite group, or for the services of farmers in producing them, is far less than for products and services of non-farmers. In severe depressions the unemployed seek refuge on farms, but not in response to demand for their services there. In the longer view, most of the increase in gainfully occupied workers will normally be absorbed in occupations outside of agriculture. Public policies which interfere with such absorption are to this extent uneconomic.

Farming as an occupation and a way of life continues to have powerful attractions, in spite of its modest financial returns. The technological developments of the past thirty years have diminished many of what were formerly regarded as its outstanding handicaps. The Great Depression brought home to many its almost-forgotten advantages in times of stress, and resulted in a net increase in the farm population in 1930-34 which wiped out the net decline of the preceding twelve years.3/ Moreover, it implies no reflection on the quality of those whom we are prone to regard as typical farmers, to say that millions of people of low ability and training, who are ill-suited to or repelled by the tensions involved in urban life and occupations, and find it hard to earn a living in cities, stay in or fall back into what the census counts as the farm population.

3/ Revised estimates given in The Agricultural Situation, May 1937, show a net increase of 1,640,000 in 1930-35 (most of it in 1930-32), as compared with 2,610,000 shown by earlier estimates of the Bureau of Agricultural Economics.

This leads naturally to emphasis upon the mobility of our population, with reference both to location and to occupation, as an impressive social force. Farmers in the United States are a changing group, not a fixed hereditary caste or class firmly planted on the land. There is a striking amount of movement into and out of agriculture, as well as within agriculture itself. Part of this is due to mere restlessness, and much of it doubtless reflects conditions calling for remedy, but a great deal represents wholesome flexibility facilitating progressive readjustment. In any event, agricultural policies must reckon with this mobility as a persisting characteristic of American society.

Parenthetically let me say that because of these forces I consider contradictory rather than mutually harmonious the objectives of agricultural policy that J. D. Black expressed in 1929 - the raising of agricultural incomes and scales of living above the levels of the pre-depression period, and maintaining in agriculture a larger proportion of the population than would otherwise be there.4/ On similar grounds, I consider that the price and income objectives of our current agricultural policy have been set unreasonably, even unattainably, high. Though it would take a good deal of time to elaborate the view, I believe that beyond somewhat narrow limits higher real incomes per farm family are conditioned upon reductions in our commercial farming personnel, as well as increase of size of commercial farms to accommodate improved machine technique; and that subsidies to keep more people in farming will not avail, in the long run, to raise incomes per farmer.

Another force which has long been taken for granted, but has latterly been underrated in government propaganda, is the force of adjustment within agriculture arising from the judgments and actions of individual farmers facing multifarious conditions and prospects. You who are close to the farmer well realize the power of this force, and are not, I am sure, inclined to regard it as anti-social, needing to be displaced by governmental adjustment procedures. I will not sing its praises or expatiate on its undoubted shortcomings which warrant various forms of governmental interposition. I merely emphasize that it should be recognized at its true value, as one which is merely supplemented by official adjustment measures.

Finally, there is the powerful force of nationalism, rampant all over the world. In some of its manifestations it makes for war, or for preparation for defence or for war. In numerous instances it leads to self-sufficiency policies with respect to various farm products, and to radical restraints - direct and indirect - on international trade. In other manifestations the same force results in successful log-rolling in the interests of particular sections regardless of the national interest. This force must be taken into account in considering agricultural policy, even though it be not accepted as beyond the possibility of modification.

4/ Agricultural Reform in the United States (New York, 1929), Chap. II, especially pp. 60-61.

III. Policy Objectives

Consideration of agricultural policy requires a clarification of the paramount objectives of policy and subsidiary purposes related thereto, and a sifting out of the sound from the unsound, the attainable from the unattainable.

Put most broadly, I consider the paramount objectives of American agricultural policy should be to protect natural resources against wasteful exploitation and neglect, to facilitate their effective and economical utilization for the longer run, to raise the level of efficiency in the production and marketing of farm products, to promote advances in the standard of living of those engaged in farming, and to increase their security against natural and economic disasters. On further consideration I might add to this list, but most other objectives I view as subsidiary rather than paramount, and of these I can touch on but few.

I regard as inappropriate (in some cases merely obsolete) major objectives the promotion of rapid settlement on the land; maximizing the utilization of agricultural resources, the number of agricultural workers, the output of farm products, or the volume of exports; national self-sufficiency with respect to agricultural products, individually or in the aggregate; so-called "parity prices" of farm products and "parity income" for the farm population; and stabilization or control of agricultural production or prices. In the following observations it seems pertinent to comment more at length on certain objectives that I am disposed to condemn.

Early in 1926 the British Ministry of Agriculture and Fisheries stated, in a brief report submitted to Parliament:

> There is a wide measure of agreement that a national agricultural policy should aim at securing the two following objects:--
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> (1) That the land should yield its highest economic possibilities in the way of food for the nation, and
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> (2) That it should furnish a basis of life and a reasonable livelihood to the greatest number of people.5/

The Ministry itself by no means endorsed these objectives as deserving implementation; they are not the goals of current British policy; and competent observers have criticised them as inappropriate.6/ For the United States these have not been urged as policy objectives, yet others looking in the same direction have been.

I do not believe we need to make a positive objective the production of an ample supply of foodstuffs and fibers, to say nothing of seeking

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5/ Agricultural Policy (Cmd. 2581, London, 1926), p. 2.

6/ See The Agricultural Dilemma: A Report of an Enquiry Organised by Viscount Astor and Mr. B. Seebohm Rowntree (London, 1935).

maximum utilization of our agricultural resources. There is no prospect of danger on this score, unless we tamper too radically with the play of economic forces. Despite three or four successive years of adverse weather in 1933-36, the outlook is that, by and large, abundance of farm products will continue to be more of a problem than scarcity.

Yet Secretary Wallace is reported to have put "safeguarding of the Nation's food supply" first of two "fundamental purposes" of the proposed agricultural adjustment act of 1937; and to have listed first among its principal features "to protect consumers against drought disasters such as in the years 1934 and 1936."7/ These I regard as political talking points, not as justifiable policy objectives. If the nation's food supply needs protection, except against wasteful exploitation and neglect that endanger future productivity, it is not against Nature or farmers but against restrictive and repressive public measures.

In the same category I would put the maintenance of a so-called "balance" between agricultural population and the rest, in any sense susceptible of concrete expression.8/ I do not even regard it a pertinent question to ask: What number or proportion of our people do we want to have living on farms or engaged in farming? The normal relationship is an ever-changing one, and on the whole one of declining proportion of farm population. As already suggested, I disagree with the position expressed by J. D. Black in 1929, that we should strive "to maintain a somewhat larger proportion of our population on the land than would otherwise be the case."9/ In fact, I believe that success in such an objective would be dearly won, and that it could be maintained only at huge expense for subsidies in one form or another, or by abhorrent forms of regimentation. I regard as a condition of long-time advances in standards of living, in city and country alike, that the flow of population from the farms be allowed to continue. Most of the virtues associated with rural life, as contrasted with urban, are potentially attainable by large numbers without involving agriculture as a major occupation.

Here it is pertinent to recall Disraeli's speech in defence of the Corn Laws, in the debate in the House of Commons on February 20, 1846. Touching on those "principles of high policy, on which their system ought to be sustained," he said:

7/ AP dispatch, May 27, 1937. This bill and accompanying discussion were not available for use in preparing the present paper.

8/ Time does not permit consideration of various other uses and abuses of the elastic word "balance" in connection with policy objectives. The word is easy to use but difficult to use well. Such slogans as "equality for agriculture" and "fair share of the national income" are phrases to conjure with, rather than explicit objectives.

9/ Op. cit., p. 60.

....First, without reference to England, looking at all countries, I say that it is the first duty of the Minister, and the first interest of the State, to maintain a balance between the two great branches of national industry; that is a principle which has been recognised by all great Ministers for the last two hundred years; and the reasons upon which it rests are so obvious, that it can hardly be necessary to mention them. Why we should maintain that balance between the two great branches of national industry, involves political considerations - social considerations, affecting the happiness, prosperity, and morality of the people, as well as the stability of the State. But I go further; I say that in England we are bound to do more - I repeat what I have repeated before, that in this country there are special reasons why we should not only maintain the balance between the two branches of our national industry, but why we should give a preponderance....to the agricultural branch; and the reason is, because in England we have a territorial Constitution. We have thrown upon the land the revenues of the Church, the administration of justice, and the estate of the poor; and this has been done, not to gratify the pride, or pamper the luxury of the proprietors of the land, but because, in a territorial Constitution, you, and those whom you have succeeded, have found the only security for self-government - the only barrier against that centralising system which has taken root in other countries....10/

Students of English history in the past 90 years are aware that Disraeli's protest was in vain, that the balance he sought to maintain was not maintained, and yet that the "ignominious catastrophe" he feared did not eventuate. I venture to add that Britain would have found it intolerable and impossible to maintain the balance as Disraeli appeared to conceive it, and that the stability and the progress of the nation were both greatly promoted by the decision to work with and not against the powerful economic forces that were in operation.

X So-called "parity prices" for farm products I consider a vicious objective of agricultural policy. It entered into our legislation as a substitute for even more unsatisfactory objectives - "tariff equality" with industry and cost-of-production prices for farm products. Officials often defend it when attacked, not as the objective itself, but as a limit beyond which prices should not be raised by governmental measures. Yet farmers have been taught that "parity prices" as legally defined are their just due, and that Congressional recognition of this "right" marked a new epoch in our agricultural policy. I believe it a very serious mistake to propagandize an economic fallacy of this kind, and that the inculcation of this fallacy tends to cumulatively unwise measures. If it were possible to redefine "parity prices" in terms of an average level to which actual prices tend to conform, changing with changes in relative costs and with shifts in demand, the damage would be minimized; but political expediency almost inevitably forces definition of the concept in excessive terms. Attempts to secure and maintain prices called "fair," but in reality uneconomically

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10/ From a more extended passage quoted in Bland, Brown, and Tawney, English Economic History: Select Documents (London, 1914), pp. 709-11.

high, tend in turn to create or intensify maladjustments in production, thus giving rise to pressure for production control even of coercive types. In certain fields, notably feed crops, dairy products, and fruits and vegetables, the national interest calls for policies directed toward lowering costs rather than raising prices; and except for the short run I believe the farmers' interest lies in this direction also.

So-called "parity income" for farmers seems to me also an ill-chosen if not vicious objective, open to some of the same objections as "parity prices" are. The statistical basis for the concept, as thus far worked up by Mr. Bean, seems to me almost literally horrible. The statistical procedures are shot through with fallacies involved in aggregating and averaging heterogeneous quantities, comparing incommensurables and incomparables, employing guestimates extensively and ignoring what cannot even be guestimated. I look forward to progress by Dr. Stine and his collaborators in their laborious researches bearing on this subject, but I cannot delude myself into thinking that the best results attainable will provide us with a serviceable policy yardstick. Here, as so often, policies have been adopted and vast projects launched without first having made an adequate theoretical analysis on the basis of which their degree of promise would be revealed.

Moreover, the economic theory implied seems to me erroneous. We live in a dynamic world in which change is normal. Relative incomes quietly exert pressures affecting the flow of workers into various occupations. Efforts to establish fixed relationships among group incomes per capita will not readily succeed, but in so far as they do they create demands for wholesale regimentation to replace the economic forces that ordinarily make for extensive readjustments.

Among the four stated "fundamental objectives" of the 1937 agricultural conservation program of the AAA is this: "Enable agriculture to provide for the farmer's family a living standard comparable to that enjoyed by the other three-fourths of the country's population."11/ At first glance this seems admirable. Yet it rests on such dubious assumptions as the following: that one can make effective comparisons of standards of living on the average farm and in the average household outside of agriculture; that in their contribution to the national product the farm population are reasonably comparable with the non-farm population; that averages of such heterogeneous groups are appropriate in this connection; and that agriculture alone, unsupplemented by other sources of income, must support the farm population.

With respect to "stabilization" and "security for agriculture" as policy objectives, I have time merely to say that I heartily endorse them in the modest sense of mitigating and moderating instability and insecurity in many forms, but regard them as objectionably overambitious in the senses in which they are commonly employed.

11/ "Agricultural Conservation: A National Farm Policy," AAA, G-62, Dec. 30, 1936

IV. Various Phases of Policy

Certain well-established policies justify continuation with improvements as experience may dictate. Among these are (1) support of an extensive system of agricultural education, in high schools, colleges, and universities, and through extension procedures of various kinds, with increasing emphasis on economic and social aspects; (2) promotion of agricultural research, in the United States Department of Agriculture, state agricultural colleges and experiment stations, and elsewhere, also with larger emphasis on economic and social aspects and with some special reference to "social engineering"; and (3) maintaining a flow of current information on acreage, production, demand, prices, and prospects for each. These policies contribute toward several of what I call paramount objectives.

Certain of the newer policies seem to me thoroughly justified in principle, though I cannot discuss them in detail. Among these are the erosion-control policy which, in spite of current exaggerations of the seriousness of the problem, was long overdue and deserves to be effectively prosecuted; other genuine soil- and range-conservation policies, as distinguished from those that masquerade under these heads while serving mainly as an excuse for government payments to farmers or attempted regulation of production; and many other phases of land-use policy which are designed to prevent costly or wasteful use of lands and to facilitate economic readjustments in land use. I see virtue in limited experiments with bringing back sub-marginal lands into the public domain, and in rural resettlement, but consider that experience does not yet warrant us in regarding these as settled major policies.

Production control, on the other hand, seems to me an unwise agricultural policy. Applied under voluntary procedures it is comparatively ineffective but disturbing to normal regional relationships and readjustments. Applied coercively, even with the approval of the farmers directly concerned, it tends to be carried much too far for their own good or that of the nation, as well as to disturb the course of wholesome economic readjustments. Obsession with exaggerated notions of "fair prices," overoptimism regarding both the power and the wisdom of administrative agencies, and public opinion favorable to huge outpourings of federal funds to farmers hard hit by the depression, go far to account for the excessive emphasis on production control in recent years. Even its place in measures to cope with severe depression warrants careful study. All sorts of policies, regardless of the immediate objectives, need to be considered from the standpoint of their prospective influence on agricultural production; and here too I would not condemn limited experiments with production control if it were politically feasible to proceed on this basis.

The so-called "ever-normal granary plan" is officially regarded as an essential complement of production control. I regret that it has not been effectually formulated by those who propose it, and that it has not been subjected to adequate study in official circles or outside. Most of the arguments for it seem to me ill-founded, many of its supposed advantages illusory, and its costs in various forms gravely underrated. I strongly suspect that unbiased projective analyses of its probable working would reveal that in practice it would not deserve a place in our agricultural policy.

Crop insurance proper, as distinct from forms designed to serve "ever-normal granary" ends, seems to me a promising subject for study and eventual experiment, though I cannot see that a proper basis for the experiment has yet been laid and I am not confident of the outcome. There is much to be said for putting substantial pressure on farmers in areas subject to exceptional hazards, in wheat growing for example, to get them to take out such insurance; on the other hand, in various areas where wheat is a minor crop, farmer participation should not be urged.

"Preserving the home market for the American farmer" has been a persistent policy for many years. It has not been carried to the extremes of necessitating substitution of domestic farm products for tea, coffee, and bananas, which we cannot produce except at prohibitive cost, or of forcing substitution of industrial products for silk, or of ensuring that our farms shall produce all of the sugar, wool, flaxseed, vegetable oils, and rubber that they might if we had embargoes or prohibitive tariffs on these products. Such extreme measures, of course, would not enlarge the home market for farm products to anything like the extent to which imports were curtailed; for consumption would be reduced and industrial substitutes would displace considerable portions of the imports. Nevertheless, the home-market policy has been pressed too far, in my judgment, to be consistent with the national welfare. Moreover, it has induced farmers to accept the same policy with respect to industrial products, which have in turn been made more expensive and have restricted export outlets for our farm products, through reducing the ability of foreign countries to purchase here and helping to induce them to carry protectionist policies to extremes.

"The present policy of this Government relating to agricultural exports," we are semi-officially assured,

> has two principal aims. The first is to confine the production of agricultural commodities on an export basis to that quantity which can be sold remuneratively. The second is to expand wherever possible the opportunities for remunerative exportation of agricultural products. While the export opportunities existing at the present time must be accepted as facts, those of the future are not entirely outside of the control of the Government of this country.12/

With the policy underlying the reciprocal trade agreements program, as I indicated last year, I am in hearty sympathy - perhaps more in sympathy than the Congress and the Administration are. But I stick on the crucial word "remuneratively."13/ Secretary Wallace, for the time being

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12/ H. J. Wadleigh, "General Considerations relating to Agricultural Exports," in Agricultural Exports in relation to Land Policy (Part II of the Supplementary Report of the Land Planning Committee to the National Resources Board, Washington, 1935), p. 3.

13/ In the section quoted above, no explanation of this word is vouchsafed, though its bearing is brought out in a later section dealing with cotton exports. It does not appear to have reference to export dumping, in which the Administration has small confidence.

the leading authority, evidently interprets it to mean that export products must yield the farm producers a satisfactory price, perhaps approximating so-called "parity prices," and that production from which an export surplus is obtained must not entail soil depletion as currently defined. This is crucial because prevention of such "soil depletion" and raising prices to "parity" levels tend to entail restraints on crop acreage, production, and/or marketing, which reduce the competing power of American exports with those of other countries. Our exports of cotton, and in lesser degree those of several other products, have unquestionably been reduced by government measures adopted under the Agricultural Marketing and Adjustment Acts. Domestic price-supporting policies for American farmers may continue to be a powerful force in restricting American exports of farm products as our production recovers and as world economic recovery proceeds. All or most of what can be achieved through reducing trade barriers may be much more than offset, as respects our exports, if the standard of remunerativeness is set too high.

In general, I believe that removal of uneconomic obstacles to export of farm products is a desirable subsidiary goal of policy; but that more specific positive policies, such as various forms of export restriction, promotion, and subsidy, are mainly contrary to the national interest. In recent years successions of adverse seasons, coupled with depressed conditions and extreme protectionist measures abroad, have reduced our exports of farm products below what will probably prove to be their long-term trend. But it is too much to expect these exports to rise to the level of the years shortly after the war, and we may well lay no great stress on specific export policies.

Surplus-relief purchasing has been and is a "dumping" procedure, primarily designed to support farm prices and enhance farm income. It is less objectionable per se than (a) destruction, open or disguised; (b) export dumping, frank or camouflaged; or (c) government purchase with disposition undetermined. Nevertheless, I regard it as unwise policy to have the decisions dictated primarily by official appraisals of farm commodity positions, rather than by the need for commodities to be used in relief.

To the extent that relief of distress through government aid is essential - for farm, other rural, and urban classes alike - that problem should be attacked as such, with a view to providing the necessary products at minimum cost. Cooperation of the AAA should be sought to insure that advantage is taken of commodity abundance wherever it exists, so that relief funds will go farthest. But this should not involve nation-wide distribution of wheat or flour from the Pacific Northwest, purchase of high-quality rice for general distribution, and extensive interregional shipments of eggs, apples, onions, etc. It should involve direct relief use for food of low-grade prunes, canning peaches, etc., when such supplies are abundant, in regions that can economically be reached.

Our policy on farm tenure has been largely laissez faire. It is high time to undertake to distinguish genuinely pathological conditions which adversely affect natural resources, farming efficiency, and farm planes of living; and to correct these conditions by a combination of research, education, restrictions in appropriate forms, and facilitation of wholesome types. The policy should not be determined by fetishes such

as farm ownership, family-size farms, or land nationalization. Farm ownership by operators is not good per se, though in many circumstances it works best; it often saddles men with risks that they are in no position to carry. Farm tenancy is not bad per se, though certain forms tend to be. A broad trend toward increase of tenancy is probably normal, and the major remedy for abnormalities in tenancy lies mainly in raising standards of leasing arrangements, rather than in pouring out public funds for land purchase for sale on long-term credit. Corporation farming, and corporate ownership of farms operated by tenants, should be allowed opportunity to find their normal place in agriculture. What this is we may dimly perceive, but cannot yet be sure of.

Our long-established system of inheritance of farm property needs overhauling. If this were done, it would indirectly improve the land-tenure situation. Where a farmer leaves his farm to two or more children, equal division of the net valuation among those who stay on the farm and those who do not is usually unfairly burdensome on those who stay to operate it, frequently with disastrous consequences. Here more research is needed, education following research can do much good, and state legislation may in time be appropriate.

With respect to migratory farm labor, there is urgent need for legal establishment of minimum standards for sanitary and educational conditions, in the light of modern developments in tourist camps, and for effective protection of the right of such laborers to organize and bargain collectively. There are other particular groups of farm labor, such as those in sugar-beet growing, for which some special regulation may be feasible and desirable. Of the situation in the South, I know too little to speak specifically. With respect to most other farm labor, I believe the need for active public policies is not urgent. As in England in the past century, the best progress in improvement of conditions of farm labor is likely to be forced by reduction in the number of farm laborers through absorption of many into other occupations and through mechanization of agriculture. For most farm laborers who wish to rise to the status of independent farmers, the opportunity should ordinarily come through inheritance or intervening occupations off the farm rather than by a "farm ladder."

Encouragement of the development of cooperation among farmers deserves a place in agricultural policy, but by no means a high or central one such as it had in the Agricultural Marketing Act and as it has in the thinking of some cooperative leaders.14/ Neither theoretical analysis nor actual experience justifies such promotional and subsidizing tactics as the Federal Farm Board pursued under what it considered a congressional mandate. Cooperation so-called is far from being the panacea that its fanatical adherents consider it. In the United States it will probably never have the high place that it holds in Danish agriculture. Milder measures of aid and guidance, such as were used before the Farm Board and have been applied

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14/ Cf. opening sentence of C. C. Teague, in "The Human Equation in Cooperation" (Cooperative Journal, July-August 1934, X, 105): "The safest long-time plan for the social and economic welfare of agriculture is the development of cooperation among farmers...."

since its abolition, are more conducive to wholesome growth of the cooperative movement. Even yet, discriminations in favor of cooperatives tend to be carried too far.

In closing, I wish to acknowledge the immaturity of my presentation. It is merely the best that I could do in time for this conference. If at various points I have spoken more sharply than the situation or my knowledge of it warrants, it is with deliberate intent to evoke clashes of opinion out of which sound conclusions may emerge. I await your criticisms and supplements in a receptive mood.

DISCUSSION OF DR. J. S. DAVIS' PAPER ON OBSERVATIONS ON AGRICULTURAL POLICY

by

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It is difficult to reconcile the fact that the author of this paper is one the coauthors of Three Years of the Agricultural Adjustment Administration. rely he is not an economic Dr. Jekyll and Mr. Hyde. The views he expresses in e paper under review seem to be in direct conflict with many of the fundamental nclusions of the book recently published by the Brookings Institution. I find self in such general agreement with the views in his paper that I will confine discussion merely to an elaboration of certain aspects of the question to ich Dr. Davis has referred in the first part of his paper, but which he was t able to develop more fully. I realize, of course, that many of the views pressed in the paper and in this discussion will be regarded by many farm aders as heretical. Disagreement with the various measures sponsored by farm aders for betterment of the lot of farm people does not imply a lack of sym- thy and appreciation of farm problems, but merely a different interpretation the economic and social issues involved and a different concept of the form rrective measures should take.

Fundamental Economic Considerations

There will be general agreement with Dr. Davis' statement that "The long- n welfare of the nation as a whole should be the all-embracing objective [in gricultural policy], the basic criterion by which specific policies should be ppraised." This, however, does not imply that policies sponsored by a particular roup for the immediate benefit of that group will be in the national interest -- r even the long-run welfare of that group. Yet this assumption is apparently asic to much of the New Deal legislation with regard to agriculture, labor, and ndustry. In this connection Dr. Davis raises two questions: (1) Was the situation o be met (in policy making) correctly analyzed and (2) were the underlying assump- ions of the policy correct?

These are extremely important in an appraisal from the viewpoint of national elfare of past and future policies for agriculture. Some of the basic assumptions nderlying production control in agriculture and marketing agreements are that 1) those engaged in the agricultural industry (whatever that may be) were de- initely at an economic disadvantage as compared with those engaged in and de- endent upon industry; (2) this disparity was due to the power of industry really those in control of individual industries) to regulate both output and rices; (3) this monopoly power of individual industries could not be curtailed readily or effectively because of technological and legal reasons; and (4) the best and most effective remedy would be to extend to agriculture and labor the privilege, with government aid, to develop monopoly control over production (hours worked) and prices (wages).

It would seem that a sound agricultural policy should be part and parcel of a sound national policy to promote general welfare. In turn a sound national policy should be predicated upon a reasonably accurate analysis of the working of our economic system and its apparent weaknesses and inconsistencies. Put in a somewhat different way national policy should be designed to correct the weak- nesses in our economy and to promote the smooth and effective operation of the powerful economic and social forces to which Dr. Davis refers.

The United States is supposed to be operating under a capitalistic economy. s advantages over other forms of national economy have been extolled by the onomists of the classical school. Under a capitalistic economy free and unttered competition is the vital regulating force which is supposed to ensure, thout direction, automatically and spontaneously (1) that each type of economic tivity is supplied with an adequate supply of capital; (2) that a nice balance maintained between savings and current expenditures on consumers' goods and rvices; (3) that the benefits of technological efficiency are widely and rapidly spersed largely in the form of lower prices; (4) that real income is widely, ough not evenly, distributed; and (5) that human rights will be adequate proction as against private-property rights. For the effective operation of the mpetitive force, it was advocated that governments follow a policy of laissez aire with regard to economic activity.

The United States early decided to modify this policy with regard to ternational trade. It was not clearly realized that tariff protection not lly modified competition between domestic and foreign producers, but tended the long run also to considerably modify and curtail competition in our omestic economy. Our active policy of regulation or public utilities was further departure from a policy of laissez faire and free competition. Our assive or neutral policies for corporate ownership and banking, buttressed y an unfortunate trend in court decisions, have also led to a severe modification of competition in many important branches of industry and to the sanctification of private property rights as against human rights. While these modifiations have grown slowly, it is possible to state that since the turn of the resent century our economy has been characterized by various forms and degrees f monopoly control in some important branches of our economy (mainly industrial), hereas moderately free competition has been maintained in other important ranches (for example, agriculture).

The widespread curtailment of the competitive force has tended to concentrate the benefits of technological improvements, to centralize control over economic activity in the hands of persons whose interests at times may be diametrically opposed to national welfare, and to force savings into abnormal channels and forms. Fundamental economic forces have not been destroyed, but they no longer work smoothly and rapidly to correct maladjustments. Periodic business recessions, such as we have just passed through, are merely an evidence that economic forces still operate -- although irregularly and violently.

Our economy has undergone another important change. Since 1900 we have grown from industrial and financial adolescence to maturity, a process which was greatly accelerated during the World War. In spite of the fact that we saved an excessive part of our annual national income we could not supply all our needs for new capital while we were an immature nation. We had to borrow from Europe capital to develop our factories, railroads, harbors, and other resources. This helped to increase our output of goods and services per capita and thereby promoted our industrial and financial growth. While the United States was still an immature nation the concentration of the benefits of technological improvements did not have serious economic consequences. New industries readily absorbed the excessive savings, and thus provided a more or less continuous demand for labor.

We have, however, continued to follow the foreign and domestic trade policies of an immature nation. Equally serious is the fact that, as far as can be ascertained, we are saving as large a proportion of our annual national income, or even larger, than before the World War. In a mature nation concentration of the benefits of technological improvements and excessive saving tend

lead to periodic overexpansion of production facilities or of the capital invested in certain industries (stock speculation) and to a growing hiatus between capacity to produce certain types of goods and our ability to purchase the goods consumed.

Basic to the formulation of economic policies must be a clear realization that our economic system has departed a long way from the simon-pure concept of competitive capitalism and that our growth to industrial and financial maturity has greatly intensified the problem of readjustments. Many people are of the opinion that our recent depression was in reality a paralytic stroke -- and that unless certain fundamental changes are made in our system, more and severer paralytic strokes can be expected in the future. The ultimate result may be the complete breakdown of our system.

If this analysis is correct, it is difficult to see how the pressure-group type of economic policy, involving expansion of monopoly privileges to groups which were previously competitive, can correct the situation. It is like trying to buttress up the walls of a building the foundations of which are sinking. Where it will lead us, heaven only knows, for universal monopoly is an economic absurdity in a capitalistic system. The futility of the whole spiral involving more and more monopoly control, restriction of hours of labor, advancement of wages, and raising of prices should be apparent. The policies followed by the present administration offer no permanent solution and no permanent betterment of the position even of farmers and laborers. On the other hand if we can correct some of the underlying weaknesses of our economy, many of the difficulties and problems of agriculture and labor will be solved automatically. Some policy making and assistance to agriculture and to other groups will still be necessary, but this will be fitted into and subordinated to broad national policies.

If we are to save what is best in our economic system, every effort will have to be made to revitalize the competitive force wherever that can be made to function. On the other hand, branches of economic activity which, because of technological and other reasons, can function most efficiently as monopolies should be brought under more direct public control and operated for the public and not private benefit. While there will inevitably be much disagreement on the form and details of appropriate measures, these would probably involve, among others: (1) fuller public control over the monetary system; (2) the use of the tax power to ensure a more uniform distribution of income; (3) incorporation, under uniform federal laws, of all companies engaged in interstate commerce; and (4) a gradual but definite downward revision of tariffs. Such a policy would involve a considerable modification of private-property rights. This is inevitable whatever policy we pursue during the next few years. A policy aiming at a revitalization of competition, moreover, will be in harmony with our democratic institutions and would permit a greater degree of individual freedom than we now enjoy or than was enjoyed in predepression days.

The Policy-Forming Agency

Dr. Davis' discussion of agricultural policy is predicated upon the assumption that some agency will have final authority for the formulation of policies and implementing programs. He states that adoption and alteration of policies rest primarily with Congress and the President. In a democratic country people delegate these powers to their duly elected representatives.

This, however, raises several very important questions which must be fully considered by economists, even if the answer to them is outside the strict province

economics. Economists should be realists. In considering the problem of
ld national policies, attention should also be given to the policy-making
ncy or agencies.

Is Congress, as at present constituted, able to cope efficiently with the
y intricate problems of group, regional, and national interest involved in
icy making? Do we elect the best trained and most capable type of man to
resent us in policy making? If not, what changes would be desirable? On
ters of national policy is our present congressional procedure, which vests
power of initiation in Congress and the power of veto in the President, the
t efficient in view of the fact that congressmen are elected to represent
al interests whereas the President is elected by the nation as a whole?
ld not British parliamentary procedure, under which legislation is initiated
the executive and accepted, amended, or rejected by parliament be more satis-
tory? Should we not curtail the usurped power of pressure groups and lobbyists
sponsor and press for group legislation?

There also appears to be much in favor of a national economic advisory
ncil, selected on a nonpartisan basis. The men on such a council should be
sen or appointed on the basis of their intellectual attainments and know-
ge of economic and social problems. The functions of such an agency should
to analyze all proposed policies and programs from the standpoint of their
fect upon general welfare and also to propose to the executive and to Congress
ecific measures. This body should have no power of veto or voting privilege
t should have the right to appear before Congress to present its analysis on
portant legislation. This proposal is not new. At the present time Brain
usts are somewhat in disrepute, partly, it is believed, because the best and
st suitable men were not selected and partly because these men were called
on to perform administrative and promotional functions, for which they were
t suited.

At the present time, laws affecting this and that group interest are
ten drawn up and sponsored by the groups themselves. For example, the Agri-
ltural Adjustment Act was sponsored by various powerful and vociferous farm
ganizations and supported by farmer-minded congressmen. The same thing is
ue for labor legislation. These groups should have the right to appear before
ngress and present their views publicly but should not be in a position to
ing pressure to bear upon Congress to pass legislation which may not be de-
igned to promote general welfare. Congress should act as the final reconciling
gency and consider all proposed legislation in the light of its effect upon
ational welfare.

There is an old saying that "fools enter where angels fear to tread."
am afraid I have expressed many heretical views and have exposed myself to
riticism. In extenuation I want to say that I am, like others, sincerely
nd honestly seeking a way out of the economic and political morass. The
hole problem needs further searching investigation. I do want to say,
owever, that I am convinced that it is more or less useless to talk about
ormulation of long-time policies and the carrying out of programs, unless we
ave an agency that is equipped to take the final responsibility for shaping,
uiding, and deciding upon policies and programs and unless we understand
learly the fundamental weaknesses of our economic system and their contri-
ution to economic relapses.

DISCUSSION OF DR. J. S. DAVIS' PAPER "AGRICULTURAL POLICY

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Dr. Davis has outlined those phases of agricultural policy with which he is in full accord, namely, (1) education by means of schools and extension activities, (2) research, and (3) the spread of economic information in regard to production, prices, etc. These are all accepted policies supported generally by economists.

Then the newer policies which have been more recently adopted were discussed and in regard to which there has developed throughout the country a wide divergence of opinion. But in going over this part of the paper I find myself either in full agreement with Dr. Davis, or occasionally in sympathy with his point of view while at the same time realizing that our knowledge is so limited that no one is able to forsee how certain policies will work out. In the economic world, the success of policies depends to a very large extent on the support of public opinion. The best of policies may fail if strongly opposed while bad ones may be accepted by the public and remain in force for long periods of time.

I am entirely in agreement with Dr. Davis' proposition that any policies adopted should be in the interest of the nation as a whole. We have long been afflicted with tariffs provided for the benefit of special groups in agriculture and industry but which have been injurious to the nation as a unit. Now the question must certainly be faced as to whether or not some of the policies and programs drawn for the benefit of agriculture are, or are not, going to be generally beneficial. To permit agriculture and other industries to secure legislation which seems to be favorable to them, without regard to other interests in the nation, is to get, eventually, an economic hodge-podge. It is the political method usually adopted. It is, I think, the duty of economic organizations such as this, to act somewhat as stabilizors, encouraging changes in policies when they are for the public good, but discouraging those which are detrimental to the national welfare, even though they may be designed to assist some particular industry.

In this connection certain of our agricultural policies, as Dr. Davis has pointed out, tend to encourage the small or inefficient farmers, whereas from the standpoint of a national economy, such pressure as is applied might be in the direction of larger and more efficient farm units. Certainly the retention of farmers on strictly marginal farms should not be encouraged, yet I am certain that the agricultural program,as now administered, does help to keep unsuitable lands in production.

The ultimate plan to be adopted in the soil conservation work should be one which will educate and encourage farmers to manage their farms and ranches in such a way as to secure a permanent agriculture. This is the objective of the Soil Conservation Act.

The conservation of soil resources is essential to the future welfare of the country but the making of payments to individual farmers to carry out a conservation program, may eventually become a source of political corruption and may not be the best way to get the results desired. However, if the Government is to adopt, as a permanent policy, the principal that farmers are to be assisted by cash payments it must be established on the basis that it is to the advantage of the people of the nation that operations be conducted in such a way as to maintain a permanent agriculture so that farms may be passed on in as good or better condition than they are at present.

The adoption of good farm practices can be stimulated throughout the country by education and by offering monetary rewards. It is probable that education will proceed faster if it is sweetened with money payments than if it is administered in undiluted form, although the sweetening may bring about, eventually, serious political and economic disturbances.

Benefit payments are made at present under the AAA for carrying out specific operations of the farms but it might prove to be a better plan to make them dependent upon the extent to which each farm as a unit approaches the standards required for the region.

There can be little objection to the adoption of soil conservation as a permanent policy of the Government, but the methods used in bringing it about are certain to arouse criticism and debate. These methods should be subject to modification whenever it is found that they can be improved. The Agricultural Adjustment Program which has been tacked on as an integral part of soil conservation is certain to be a bone of contention so long as it is in force, even though it may be conceded that some control over production is desirable.

Dr. Davis says he favors "other genuine soil and range conservation policies, as distinguished from those that masquerade under these heads while serving mainly as an excuse for Government payments to farmers or attempted regulation of production". Probably this has reference to Agricultural Adjustment as an adjunct of the Soil Conservation Act.

The method now in force of making payments to farmers, under the Agricultural Adjustment Administration, has proven to be objectionable in several ways:

1. Those on strictly marginal land may receive benefit payments in sufficient amount to permit them to eke out an existence while waiting for one or more bumper crop years.

2. The farmers are paid for conducting specific operations such as planting a field to a legume crop, or plowing under a crop of green manure, or eradicating a patch of noxious weeds. This has little value either from the educational standpoint or from that of the conservation of the soil.

3. A considerable part of the cooperators carry out their agreements for the purpose of earning the extra money and give little thought or energy to conservation and improvement of the soil as a desirable objective in itself.

4. The entire program is extremely complicated and expensive to enforce.

Probably it is true that payments are usually made for operations which will be useful to the agriculture of the region but they are not designed in such a way as to provide incentives to develop the best possible system of operating each individual farm as a unit. Payments may be made for the performance of operations not suited to the farms on which they are carried out. In fact, those who already have well developed rotation systems can hardly qualify for benefit payments without unbalancing the crops they are growing with respect to the needs of the soil, the livestock on the farm and the demands of the available markets.

If benefit payments are to be made at all it would seem that a better plan would be to give them as a reward for properly conducted systems of farming, with the farms treated as units, and with the amount of payments made according to the extent to which the objectives are attained. Farmers would then be paid, not for carrying out this or that operation, but for maintaining or increasing the fertility of the land regardless of the method they might use.

The psychological effect would be different. To be paid for conducting a farm in such a way as to maintain it or improve it for the use of future generations is a distinctly higher incentive than to be paid each year for planting a legume, for plowing under a certain crop, or for seeding some land to mixed grasses.

It would seem to be a better policy to pass judgment on the management of each farm as a unit and let payments be made in proportion to the degree of success in coming up to the standard. But even with the best of motives back of them, cash payments may become politically dangerous.

COMMENT ON PART II OF "OBSERVATIONS ON AGRICULTURAL POLICY" BY JOSEPH F. DAVIS

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I am asked to comment on that section of Dr. Davis' paper dealing with conditioning factors and forces. There is little in this section of Dr. Davis' paper with which I would disagree. On the other hand, there is much to commend. I might, however, change emphasis and add certain items.

Dr. Davis calls attention to our declining population, to the tendency for demand for non-farm products to increase more rapidly than farm products, to the tendency for unemployed in severe depressions to seek refuge on farms, and to our growing nationalism. He also points out the fallacy that we need more people on the farms. With all of this I find myself in entire accord. However, in dealing with this whole problem of the factors and forces underlying agricultural policy I feel that we should, first of all, consider the loss of markets which American agriculture has suffered, partly through declining exports and partly through the substitution of mechanical power for horses and mules. This situation calls for adjustments which have not yet been made. These adjustments could be made either through new markets or the reduction of production to fit existing markets. During the past three years drought conditions have, in most areas, reduced the production but that adjustment is only temporary. Dr. Davis mentions the force of adjustment within agriculture arising from the judgment and actions of individual farmers. Our farmers will, of course, eventually have to make the adjustments necessary to meet these conditions. It is an important question, however, whether at the present time they are financially strong enough to make these adjustments without too great a shock, not only to themselves but to our whole national economy. Could we have stood the shock in 1932 or '33? Can we stand it now?

Another factor of significance is the labor problem. I refer to those policies which tend to limit employment and fix wages in certain industries, thus forcing large numbers of laborers to seek employment elsewhere and since agriculture is the one major unrestricted field they tend to go to agriculture because there is no place else to go. Along with wage and hour policies we should consider technological unemployment. We often assume that if new industries develop as rapidly as technological improvements reduce the labor required in old industries, a balance of labor with employment may be obtained. Actually, however, increasing technological improvements are tending to permanently decrease the opportunities for the man whose chief asset is a more or less strong right arm. The opportunities for unskilled labor in industry seem to be growing less and less. Will agriculture be obliged to find a place for these people? Can agriculture offer a living to people whose mental, moral, and economic qualifications would limit them to very small scale operations conducted almost entirely by hand labor? I would certainly agree entirely with Dr. Davis' statement that "real incomes per farm family are conditioned upon reduction in our commercial farm personnel, as well as increase in the size of commercial

farms." We may, however, have an increased agricultural population forced upon us not because they are needed in agriculture but because there is no place else to go. Certainly there is, at the present moment, a significant pressure from that direction.

In summary, therefore, I feel that we cannot afford to omit from our list of conditioning factors and forces our loss of export markets, our loss of markets for horse and mule feed, and the growing difficulty of finding employment for unskilled labor.

AGRICULTURAL POLICY[1/]

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I think I am representative of nearly all who know Dr. Joseph S. Davis in the very high respect which I have for his ability to master accurately and with unusual discrimination as to their relative importance vast amounts of factual information, to observe significant tendencies, and to draw correct, constructive, and stimulating conclusions from those observations. In the paper which he has presented on Agricultural Policy I think he has maintained his high reputation for seeing things with scientific accuracy and describing them in a constructively stimulating manner. For the most part I can only say that he has expressed my own thoughts better than I could have expressed them. The brevity with which he was compelled to treat so large a subject makes it impossible, however, to give to every phase of it as much emphasis as that phase may deserve and leaves, I believe, in the minds of many of his hearers a curiosity as to what more he would have said had the time been more ample.

My instructions have been to discuss his paper with particular attention to the second of its four parts, entitled "Conditioning Factors and Forces." This I shall attempt to do to the best of my ability. As Doctor Davis himself states, however, that what he has to say about these conditioning factors and forces is said at the risk of boring his hearers with familiar facts, it is hardly to be expected that they will provoke vigorous dissent. The third and fourth sections of his paper, which are entitled "Policy Objectives" and "Various Phases of Policy," appear to be the sections in which in his own words he has spoken "sharply" with "a deliberate intent to evoke clashes of opinion." For that reason after making a few comments on the second section, I shall add a few on the third and fourth sections.

In the second section are enumerated seven conditioning factors to which consideration should be given in the formulation of an agricultural policy. These are:

(1) The rate of population growth and its age composition both in this country and elsewhere as a resultant of not only birth and death rates but also of immigration policy;
(2) Technological changes in agriculture, industry, transportation, and commerce;
(3) The natural tendency of agriculture to decline in relative importance in a world of rapid technological progress;
(4) The non-pecuniary advantages, or amenities, or intangible values of farming as a way of life;

1/ This is a discussion based on the paper, "Observations on Agricultural Policy," by Dr. Joseph S. Davis and was read at the Tenth Annual Meeting of the Western Farm Economics Association, University of Nevada, Reno, Nevada, June 24-26, 1937.

(5) Population mobility with reference to location and occupation, especially into and out of agriculture and within agriculture;

(6) The tendency of individual farmers to make adjustments designed to improve their conditions and to do this independently of government propaganda or government interposition.

(7) The powerful force of nationalism, now rampant all over the world.

I agree fully that attention should be given to all of these seven factors or forces in the formulation of agricultural policies, and I commend all that Doctor Davis has said in his discussion of these points to all who have any influence in the formulation of such policies. But a question which arises in my mind is whether the seven enumerated points do cover adequately all the significant conditioning factors to be considered in the formulation of an agricultural policy. In that connection I shall raise a few questions and express a few opinions.

The first question is: Is it proper to consider as a separate conditioning factor the wide extent to which part-time farming is now practiced? Perhaps this was assumed to be included in the discussion of the amenities or non-pecuniary advantages of agriculture as a way of life. Certainly part-time farming presents a number of problems in the measurement of agricultural incomes, the statistics of which have been made the basis of agricultural policies. It also presents some complexities in the execution of remedial measures.

Of more significance, however, as a conditioning factor of a desirable or necessary agricultural policy in economic matters, in my opinion, is a large group of policies and practices of the non-agricultural part of the population to which Doctor Davis has referred only indirectly or incidentally and, it seems to me, too briefly. I can introduce my own views on this aspect of the subject no better than to quote, with at least general approval, the first half of the last paragraph of John D. Black's supplementary statement to "Three Years of the Agricultural Adjustment Administration" by Nourse, Davis and Black. After stating that this is the most significant of all aspects of the AAA undertaking, Black says, "As a society we are becoming increasingly encompassed by monopolies of one kind or another. Economists are increasingly coming to realize that pure competition exists in few places outside of the markets for agricultural staples. Monopoly powers of one kind or another increasingly hold prices rigid. Labor is ever reaching out for a stronger hold on wages--and likely to reach effectively. Our agricultural cooperatives are now beginning to push in the same direction. Where shall we be as a society, how shall we function when all these groups acquire the powers they seek? The AAA procedure, especially in the production adjustments, accords the support of government to these monopoly arrangements; but on a basis of collaboration that insures the protection of the public interest that now exists not at all in the monopoly controls being exercised more and more by labor and capital." My conclusion is that a conditioning factor of high importance in the formulation of a future agricultural policy which will result in defensible degree of social justice to those engaged in agriculture is the extent to which this drive toward

more widespread monopoly is permitted to spread or is held in check. How far are we going in the present movement toward the closed shop in industry, accompanied by how much of a reduced work week, increased hourly wages, governmental approval of the right of one group of workers to say to another you shall not work, monopolistic elevation of the whole non-agricultural price structure, and the freezing of it against decline through competitive forces? The answer to this question is, in my opinion, not to be overlooked as a conditioning factor of our agricultural policy.

One of the most widely read agricultural journals recently stated editorially that the three most important questions now before this country are: (1) the assault on the honesty of the courts; (2) labor union rackets; and (3) gold and its relation to farm and other prices.1/ I am not sure that this editor is either right or wrong. But I commend him for his ability to see the significance of the repercussions of non-agricultural policies and programs on agricultural welfare, and furthermore for including the labor union racket as a form of monopoly which presents a threat sufficiently serious in character perhaps alone to justify at some future time a compensating policy or program for those agriculturally employed. I would also include our monetary policy as a second non-agricultural policy which should not be overlooked as a conditioning factor in the formulation of an agricultural policy in the narrower sense. From what he has elsewhere said and written I believe that Doctor Davis would agree to at least the concluding part of my long preceding statement.

Turning now to the section on "Policy Objectives," I agree with Doctor Davis that the only safeguarding of our food supply that is needed is against "wasteful exploitation and neglect that endanger future productivity" and "against restrictive and repressive public measures." Merely the passages quoted by Doctor Davis from Secretary Wallace do not demonstrate to me that the Secretary had in mind more than what is covered under the first of these two points by Doctor Davis.

In his discussion of the maintaining of a balance between agricultural population and the rest, Doctor Davis makes many discerning and stimulating statements. Among these is that in the interest of higher standards of living in city and country alike the flow of population from the farms should be allowed to continue. I wish merely to add that if this is to happen a way must be found for absorbing this population flow in urban employment, and that raises again the question, which I have already touched on and which I think is of large importance, of how such absorption is affected by the current closed-shop labor ideology. All of this brings us back to the point that agricultural economic policy cannot be regarded as something distinct from national economic policy.

Doctor Davis says, "So-called 'parity prices' for farm products I consider a vicious objective of agricultural policy." I much prefer the statements in regard to it found on pages 451 and 452 of "Three Years of the AAA" by Nourse, Davis and Black. As some here present without doubt have not read or may fail to recall that statement I shall quote from it a few sentences. The first of these, which is preceded by supporting

1/ Farm Journal, June 1937, p. 4.

arguments, is as follows: "Pre-war parity was a practicable and not unreasonable formula to use during the first push of emergency effort at the level of depression to which agriculture had been brought by the winter of 1932-33." A second quotation which I fully approve is as follows: "The concept had several shortcomings as a formulation of the goal of adjustment in any precise or permanent sense." Among these shortcomings are mentioned the relatively favorable position of agriculture from 1909 to 1914 and that "the formula is too rigid for application for long periods of time or to the whole gamut of agricultural commodities variously affected by the processes of commercial and technological evolution, and ranging from briskly expanding consumer preference to virtual disappearance from the market." I agree that the formula is too crude and too defective in other respects to serve as a satisfactory measuring stick in future agricultural policy. I believe, however, that the class struggle, with the agricultural population as one of the classes, has reached a stage in this country where agricultural leaders are going to make use of some relative measuring stick. If they are not to use this one or invent a worse one somebody will have to find a better one, and then ascertain whether he can get them to use it.

There are some other statements in Doctor Davis' paper as submitted to me which rather intrigue me. One is this: "Where a farmer leaves his farm to two or more children, equal division of the net valuation among those who remain on the farm and those who do not is usually unfairly burdensome on those who stay to operate it, frequently with disastrous circumstances." I cannot help raising the question of whether it may not be overvaluation of the farm, or something else, rather than equal division of the valuation, which is the cause of the unfair burden, if there is such a burden, on whoever attempts to operate it?

A final query is with regard to the statement that, "For most farm laborers who wish to rise to the status of independent farmers the opportunity should ordinarily come through inheritance or intervening occupations off the farm rather than by a farm ladder." Since the value of all farm property per average farm in the United States even in 1929 was only about $9,000, on which the man who had risen up the agricultural ladder might have some debt and still be an owner, I wonder whether Doctor Davis means to imply that few who start as farm laborers, unless they shift to some occupation off the farm should be expected in a life time to accumulate an estate of only a few thousand dollars, regardless of industry and thrift. I doubt that this is his meaning, but it seems to me that the statement may reasonably be so interpreted. Personally I do not consider that it is either necessary or desirable that we have an agricultural policy with this as the maximum goal ordinarily attainable by a young man who begins as a farm laborer without inheritance and without intervening occupation off the farm. Either in agriculture or out of it I think so modest a property accumulation should ordinarily be attainable within the earning years of a man's life and that it is sound policy both for the individual and the nation for both to strive to make its attainment possible.

As to production control, I think I am in fundamental agreement with Doctor Davis, but I am willing to give approval to some degree of control of production as a necessary incidental to some other highly desirable objective. On the ever-normal granary, and most other features of policy discussed by Doctor Davis, I agree with his analysis.