



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

PROCEEDINGS

of the

WESTERN FARM ECONOMICS ASSOCIATION

Twelfth Annual Meeting

June 14, 15, and 16, 1939

University of California

Berkeley, California

AN ALTERNATIVE AMERICAN WHEAT POLICY

By M. K. BENNETT

Food Research Institute, Stanford University

ely six months ago I rashly committed myself to discuss the subject, "Necessary in Our Economy to Promote General Welfare." After contemplating the subject for a couple of months, I felt impelled to ask permission to talk about "Prosperity versus Security." Permission was granted, and that is the substance of the program. After wrestling with that topic for a time, I concluded that global, all-inclusive, philosophical discussions lie beyond my powers. Without permission, I shifted to a discussion of a somewhat specific topic - one that I would like to see adopted as a wheat policy in the United States, in the form of some sort of a policy involving an "action program" has become unclear whether it is desirable or not. But this is not altogether dodging the subject originally assigned. What I hope to do is to outline a particular change, along with the underlying philosophy that gives it a justification, and examine it in regard to its relationship to general welfare and to public policy in other areas.

Let me say at the outset that I am by no means clear that this scheme for wheat production in fact "promote general welfare." Henry Simons, in his pamphlet A Positive Program for Laissez Faire...., indirectly defined general welfare (or more narrowly economic welfare) in terms of "larger real income, greater regularity of production and employment, reduction of inequality, preservation of democratic institutions."¹ Secretary Wallace said that general welfare, "... from the macro point of view consists of a steady, balanced increase in the production of physical goods more evenly distributed among all the people, but not so distributed as to destroy the initiative upon which the incentive for wealth production is based."²

These ideas of economic welfare are much the same, and I think that Simons was correct in saying that "There is in America no important disagreement" that welfare should be defined as the proper objective of national economic policy. Yet there may be an internal conflict within a concept of economic welfare that calls at the same time for larger national real income and for either steadier increase in production of real income, or reduction of inequalities as between recipients of income. This conflict has often bedeviled me when I have tried to think through the merits of a proposed piece of legislation in the economic field, and I will have more to say about it later. At the moment, the point to be made is that the wheat policy shortly to be outlined would hardly seem likely to enlarge national real income or to maintain wealth-producing initiative. It might, however, contribute to steadiness of wheat-growers' incomes; and it might lessen inequalities between their incomes and those of some other groups. And I think it reasonably be called democratic.

The first person singular of the pronoun appears pretty frequently in what follows. That is deliberate. It seems to me that economics, at least on the wide

paper presented to the Twelfth Annual Meeting of the Western Farm Economics Association, Berkeley, California, June 16, 1939.

¹ C. Simons, A Positive Program for Laissez Faire: Some Proposals for a National Economic Policy (Public Policy Pamphlet 16, November 1934), p.1.

² A. Wallace, Paths to Plenty (National Home Library Foundation, Washington, 1938); cited by H. R. Tolley, "Contribution of Agricultural Economics to General Welfare," Journal of Farm Economics, February 1939, XXI, 9.

border where it begins to overlap on politics and mass psychology, is better described as "informed conjecture" than as science. And "informed conjecture" perhaps more appropriately presented in sentences beginning "I think that..." than in sentences beginning with the coldly scientific phrase "It is established that...."

I

The scheme itself is as follows, briefly stated. Let the legislation be repealed which now involves soil-conservation payments to wheat growers, price-parity payments to wheat growers, loans to wheat growers on stored wheat, subsidized exports of wheat and flour, and the possibility of marketing quotas that have not yet been tried for wheat. But let the legislation involving crop insurance for wheat growers stand, except to amend it so as not to restrict eligibility to growers who co-operate in the existing acreage-control program. Nor would it be good reason to repeal the legislation which authorizes the present land-purchase program.

In place of the legislation repealed, I would substitute legislation under which, in effect, the federal government would guarantee to registered wheat growers for a period of at least five years in the future a sort of "hard-times" minimum per-bushel return, conceived as a cushioning of the impact of low prices on producers' incomes, or a protection against catastrophe. Just to tie the scheme up with ideals at present embodied in farm legislation, I would like to see Congress fix this depression level of per-bushel return to growers at 52 per cent of average "parity price" of wheat in the three years preceding the five-year period to which the guaranteed return was to apply. That would mean an average United States guaranteed minimum return on farms of about 58 or 60 cents a bushel.

The minimum return, however, ought not to be a horizontal minimum available to all growers everywhere on all types and qualities of wheat. The legislation ought to provide for establishment of a schedule of local guaranteed minima, based on average or normal geographical differences in farm prices and on normally sound millable wheat. Every farmer ought to be able to know, in advance, what per-bushel minimum guaranteed return he would get for sound wheat at his usual place of sale.

Any farmer who intended to secure the guaranteed minimum would be required to register himself. At harvest he would make a sworn statement of the amount of his new-crop production, and of his normal acreage and normal seed requirement. This sworn statement would then carry a record of his sales, attested by purchaser as to amount purchased, price paid, and discount if any for unsoundness. At the end of a crop year, the farmer would present a claim based on his certificate and record of sales, for the difference between price actually received on wheat of normal quality and the minimum guaranteed return in his locality. Claims could be paid on no more bushels than his declared production less seed, and would be paid only on the quantities that were actually sold at prices below the guaranteed minimum return. In the course of a given crop year when the scheme was in operation, the farmer could probably borrow from a bank on sums due him on his certificate. Anybody could calculate those sums. The purpose of denying payment on amounts grown for seed would be to eliminate an incentive to sell seed wheat and buy it back, with resulting uneconomic movement.

I shall not attempt to specify precisely what sort of an administration would be necessary; surely it would be no more cumbersome, and probably less so, than what we have now. Nor do I suggest how funds to pay claims should be appropriated other than to say that they ought to come from general federal revenue, not from

cessing taxes. Perhaps a revolving fund, susceptible of replenishment by Congressional appropriation, ought to be set up. On the assumption that farm prices are as low in the crop year 1932-33 (38 cents) as they are likely to be in the foreseeable future, the burden on the Treasury in any year could be calculated at a maximum of about 200 million - assuming a crop of 900 million bushels.

II

Such a plan as this, of course, would differ from the present system in many ways. At present, the Treasury is more or less burdened every year whether or not prices are exceptionally low. Under this plan there would be no burden on the Treasury except when prices at country points fell below the specified level of minimum per-bushel return to producers.

A very prominent difference would be in the objectives or goals. The present system sets up as goals parity price, parity income, a fair share of the national income - goals in my opinion comparable with the ambition of a sprinter to make 100 yards in three seconds flat. The plan I offer would be much more modest. Its aim would be merely to soften the impact of low price upon the incomes of wheat farmers whenever low prices came. It would give them more protection than they now have against resulting loss of equity and against sudden and extreme reductions in standards of living. I would call it an effort to "protect against catastrophe," and not, as in a sense the present system is, an effort to "guarantee prosperity."

There would be no mention of soil conservation in the preamble of the legislation. I would propose - no pretense that wheat farmers were being paid federal money to save the nation's soil. They would get money for the purpose of protecting their incomes when those incomes most needed it. The preamble might appropriately go a little further, and speak of the desirability of enlarging the purchasing power of wheat growers so as to obtain such favorable effect as this might exert upon the non-farm industries that suffer when the purchasing power of wheat growers falls very low. But this scheme would not be either actually or ostensibly a soil-conservation scheme. My conjecture, not too well informed, is that soil erosion has been overemphasized, made into something of a bogey-man. While recognizing that soil erosion is a real problem, I am not clear that remedies should go much beyond education, demonstration, land purchase by governmental agencies, certain legal prohibitions of malpractices, and the normal grinding of economic machinery that eventually involves improvement of crop rotations.

Most important of all, the scheme suggested for wheat would not involve governmental manipulation of market prices either of wheat or of flour. It would not involve accumulation of wheat or flour stocks by governmental agencies. It would not involve direct governmental efforts to dispose of surpluses either at home or abroad. I cannot emphasize these points too strongly; the government would not be in the wheat market. My supposition is that market prices would involve transactions solely between private persons, right back to the first purchase from the grower. The market price might fall very low indeed. But when it had fallen as low as 58 to 60 cents at country-marketing points, the farmers would have no other reason for concern, because they would never get less as their return. They might get only 40 cents in the price; plus 18 or 20 cents in their guarantee. This could be carried either by farmers or by traders, as they were before the creation of the Farm Board - but not by governmental agencies. Surplus disposal to low-price foreign markets and to feed use domestically would probably be easier than now, for the simple reason that low price would be allowed to influence use. Government buyers could be counted upon to search out export business. A farmer could

sell wheat at a very low market price and buy it right back again to use as feed; but he could not get a price-supplementing payment on more bushels of wheat than he had to sell originally.

Finally, this scheme would not have in it any element of production or control other than what would be exerted indirectly by the level of guaranteed minimum per-bushel return to producers. This is the feature of it that made me express at the outset a suspicion that it is not a scheme likely to lead to a larger national real income, though it might help to reduce irregularities and smooth cyclical fluctuations.

The plan has no precise counterpart in any country, so far as I know. It is like the British plan in providing a guaranteed minimum return to producers without governmental purchase and sale of their wheat; but it is unlike the British plan in omitting a device whereby the per-bushel guaranteed minimum declines as production rises above a specified level. It also differs from the British plan in deriving funds from general revenue and not from a levy on flour that increases flour prices to consumers. It differs from the Australian system in this respect also. Unlike the Argentine plan, it does not fix a minimum market price, and does not permit governmental agencies to buy and sell wheat. It differs from the Canadian plan in keeping government out of the stock-carrying, buying, and selling functions.

III

I turn next to the justification for presenting such a plan. Why bother, if it is not likely to revolutionize the existing system, and when it is a plan that I cannot wholeheartedly endorse - a sort of intellectual compromise? This section is to call for an exposition of economic philosophy - or prejudice if you will.

I do not like economic planning, especially when it becomes economic control. It makes me shudder to read words like Lewis Mumford's, when he speaks about "....ultimately controlling and directing, in the interests of the common weal, the entire economic system" - and talks also about "....the socialization of natural monopolies, the collective control of quasi-monopolies, the wiping out of inflexible price structures....the raising of real wages through trade union pressure on one hand and through the expansion of vital public works, financial current taxation, on the other."³ These typically New Deal phrases doubtless have in them much kindness of heart, certainly toward the so-called "underprivileged" though not so clearly toward the so-called "economic royalists" whether their wealth is honestly earned or not. Such phrases seem to me to contain less kindness of head than kindness of heart.

I shudder at ideas of ultimate collective control of the entire economic system because I am deeply convinced that such control means impairment of individual income-producing enterprise, and creation of domineering, inefficient, slow-moving bureaucracy that could not avoid putting brakes upon economic development.

I have never been able to go along with those who used the words "perilously near to collapse" to describe the condition of the economic system in 1932 or thereabouts. It has always seemed to me that our economic system is extraordinarily tough. There is even a possibility that the system might be functioning better right now if it had not been so solicitously tinkered with and adjusted as it has been since 1933. I have great difficulty in believing that the present

³Lewis Mumford, Regional Planning in the Pacific Northwest: A Memorandum (Northwest Regional Council, Portland, Jan. 23, 1939), pp. 6, 7.

"reformers," and "administrators." In a subgroup of the "academicians," he speaks of economists who exercise their wits "...in the observation of economic behavior in general, and the workings of 'action programs' in particular, and who usually are able to maneuver from position to position without ever going on record as to just what solution they think best."⁵ Probably I am one of these "academicians"; by elimination, I must be because I am certainly neither reformer nor administrator. This being so, I feel an urge to meet the implication that I maneuver or refuse to go on record. Similar implications seem to pop up rather frequently of late - as, for example, in papers by Tolley and J. D. Black at the December's meetings of the American Farm Economic Association.⁶

But the weightiest reason for publicly suggesting a plan that I cannot wholeheartedly support lies in a different direction.

The past eight or ten years have witnessed what is probably a permanent partial conquest of American public opinion, and of opinion of economists, by ideas that are semi-socialistic. These semi-socialistic ideals, I suspect, cannot fail to be reflected in public policy. An economist with laissez-faire leanings, I think, can nowadays best satisfy himself and best contribute to public policy by setting forth schemes that involve governmental intervention in economic affairs and embody semi-socialistic ideals, but are in his opinion schemes that would do a minimum of harm. Perhaps the appropriate strategy of the economist with laissez-faire leanings nowadays is not merely to register his objections to actual or proposed legislation with a socialistic tinge, but to offer counter-proposals in which that tinge is not so marked.

The semi-socialistic ideas that seem to me permanently incorporated in public opinion are that, somehow or other, fluctuations in production and employment, and inequalities in the distribution of real incomes both between persons and between occupational groups, must be lessened. I suspect that these Siamese twins loom substantially larger in public opinion and in economic thinking than does the idea of somehow or other achieving a larger national real income.

For example, rates of taxation on the higher income brackets have been stepped up. It is easy to see that legislatures seek to avoid taxation of the poor, though they may not achieve it. The principle of using federal funds to relieve the needy, and perhaps to go considerably beyond mere relief, is firmly established, though the method of distributing the funds may not be. There is a hue and cry not only against true monopoly, but also against economic bigness whether monopolistic or not. The phrase "fair share of the national income" has played a vital role in funneling federal money into farmers' pockets. Bank deposits below \$5,000 - not above that as yet - are guaranteed. We have a minimum wage law, a Wagner Act, a Social Security Act. We have even witnessed, in the past two years, legislation that scales down federal payments to farmers who operate large acreages, and scales up payments to farmers who operate small acreages. All of these developments add up, I think, to a permanent shift in public attitude. In my opinion they are not likely to be reversed, but only perhaps trimmed or editorially emended, if the Republicans win the elections of 1940.

I cannot see that these developments reflect in any large degree a yearning

⁵ O. V. Wells, "Agricultural Planning and the Agricultural Economist," Journal of Farm Economics, November 1938, XX, 761.

⁶ H. R. Tolley, "Contribution of Agricultural Economics to the General Welfare," Journal of Farm Economics, February 1939, XXI, 9; and "Discussion by J. D. Black," ibid., pp. 25-30.

enlarge national real income. But I have no trouble in perceiving that they
fect a deep-rooted desire to move toward reduction of inequalities in incomes
toward smoothing fluctuations in real incomes at least of the non-rich. Prob-
anyone would be outside the broad current of public opinion and economic
light today who would say, as Lincoln did: "Property is the fruit of labor;
erty is desirable; it is a positive good in the world. That some should be
shows that others may become rich, and hence is just encouragement to indus-
and enterprise." Even a trace of the sound core of these ideas is hard to
in the writings of the many economists who nowadays are so distressed about
ministered prices" and about what they call "monopoly" or "quasi-monopoly."

In short, I feel that ideals of economic security for low-income groups at
ent weigh far more heavily in public opinion than ideals of national prosper-
If that is so, then it seems to me that the economist with laissez-faire
ings may perhaps perform his best service by setting forth, as definitely as
can, his idea of policies that take account of the yearning for security but
the same time jeopardize least his own ideal of persistent trend-increase of
onal real income measured in goods and services.

IV

So far I have spoken mainly about a moderately tangible federal policy toward
ch. But a wheat policy could not be expected to be enacted without complemen-
policies in other directions; wheat growers could not be singled out as the
group of the population on whose behalf a policy would be formulated.

My views of policies in general are none too specific, and are probably not
presenting. I am not one of the "generalists" that A. G. Black⁷ feels are
ed to solve problems even in the relatively narrow field of agricultural ec-
sics. Yet, in order to make some move toward addressing the question assigned
discussion here, namely the changes necessary in our economy to promote gen-
welfare, I will venture some remarks on general economic policy.

It seems to me clear in the first place that what is most needed now and will
eeded in the future is a political atmosphere such that those who control
ate capital will be more willing to risk it in new ventures or expansion of
mes. The Number One economic problem of the nation is not in my judgment the
d, but creation (or resurrection) of willingness of capital to seek produc-
investment. Despite the pessimism of some prominent economists, I have no
that avenues for productive investment can be found in the future; people
have unsatisfied wants, and technological progress can be counted upon. A
age in the political atmosphere such as to encourage risk-bearing would prob-
necessitate a change of administration and more particularly of inner-circle
ers.

In the second place, it seems to me highly desirable, but not probable, that
new administration came into power, it ought to perpetuate the slow relaxa-
of barriers to international trade begun by the present administration. But
will not enlarge on this point.

In the third place, I feel that the essence of internal national economic
y in general ought to be what I have called "protection against catastrophe,"
not "guarantee of prosperity." It seems to me desirable - and also inevitable -
federal subsidization of incomes of the large low-income groups of the nation
and be available in periods of acute economic depression. Relief of the needy.

A. G. Black, "The Need for 'Generalists,'" Journal of Farm Economics, November
XVIII, 657-61.

whether on farms or off, ought to be guaranteed, and in large part by direct general subsidy. It ought to be assumed that periods of acute depression are inevitable, beyond the powers of a democracy to prevent. The major economic function of government ought to be to lessen the impact of depression upon the large groups inherently least able to bear the impact. So far as agriculture as a whole is concerned, I suggest that the scheme outlined above for wheat, with various modifications, might be made applicable. But I shall not suggest how to do this.

In the fourth place, I feel strongly that the financing of federal subsidies for low-income groups should be from general revenue based heavily on progressive income taxes, inheritance taxes, and taxes on luxuries, though at times resort to borrowing would be necessary. I should like to see less emphasis placed on taxation as a method of economic control, especially control of large economic units, whether monopolies or not; and more emphasis placed on taxation as a device for collecting revenue to finance subsidization of low-income groups especially during depressions.

A broad national economic policy of this sort would have disadvantages. An element of rigidity, of inefficient use of land, labor, and capital, would be projected (or perpetuated) in a system that needs flexibility and efficient use of land, labor, and capital. To paraphrase other strictures that Dr. Davis has directed against the present system of agricultural adjustment,³ I would say that a broad economic policy outlined above would keep more people in unproductive occupations than the country needs there, and would hold down the per capita real income in the longer view.

But the degree of disadvantage might well be less than it is under the present policy we follow at present, at least so long as that policy continues to discourage risk-bearing and continues to face more and more toward direct participation of governmental agencies in price-making and marketing. The policy I suggest would be superior to present policy in preserving democratic processes or at least in holding bureaucracy in leash. It would also share in part such advantages as the present policy has in equalizing incomes and softening the impact of cyclical fluctuations of incomes. It would have the additional superiority of being at once a long-term or permanent policy and an emergency policy.

The crucial question in the operation of such a broad policy as I have sketched would be the level of the floors that would be put under the incomes of low-income groups. In wheat, the specific important first decision would be what level of minimum per-bushel return to producers ought to be guaranteed. I see no way to determine the most appropriate level in advance. Under present circumstances and prevailing ideas of "economic justice," the Congress would probably fix the level too high - just as, I believe, the goals of parity price, parity income, fair share of national income, and so-called "American standard of living" are now too high both in agricultural adjustment and in relief under WPA; and just as the age pension advocates put their claims too high. But as the tax burden and the national debt continued to mount, the Congress and the public might eventually decide that the floors under incomes would have to be lowered. Eventually a rational and realistic compromise might be reached between ideals of economic security on the one hand, prosperity on the other.

³ Op. cit.

A DISCUSSION

O. V. Wells,
Program Planning Division,
Agricultural Adjustment Administration

Since being asked to discuss Dr. Bennett's paper I have watched shifting or development of his title with considerable interest. Following Dr. Bennett's long association with the Food Research Institute, one might argue that the shift represents the triumph of environment over arbitrary assignment. But I think it can also be interpreted as another illustration of the fact that most of us are not planners in the "grand manner", but rather that we tend to discuss and deal with those elements or specific problems with which we are best acquainted.

But despite the fact that the discussion is in terms of a wheat program rather than of "changes necessary in our economy in order to promote the general welfare", it must be noted that Dr. Bennett has not treated his subject. Instead his suggested program for wheat is set forth as an illustration of the manner in which he would apply a general philosophy in the development of a specific program. And in discussing his program, I want first to give some attention to the suggested wheat program and second to consider the general philosophy or attitude which underlies the entire paper and which underlies his suggestions with regard to wheat.

I

The suggested program is extremely simple, since it involves doing more than the maintenance of a guaranteed minimum per-bushel return or price for commercial wheat. In fact, one of the stronger arguments for the program is its simplicity as compared with the complexity of our current wheat program.

Although such a scheme might be administered more easily and at a somewhat lower cost than the current program, I question whether the advantages would be as great as some people might expect. To begin with, it would be necessary to determine each wheat producer's actual sales as well as the amount which is normally used or should be retained for seed. In my opinion at least, this would be about as difficult to determine as it is to check acreage compliance under the present program. It is also suggested that the minimum return ought not to be a horizontal guarantee, but rather should be set up in terms of a schedule of minimum returns based on average or normal geographic differences in farm prices for millable wheat. Such a schedule could be determined, but it would not contribute to the simplicity of the scheme, nor would it be too easy to administer. And, as Dr. Bennett himself realizes, the questions as to the manner in which the program is to be financed would be the subjects of continuous argument.

In addition, Dr. Bennett would continue the current crop insurance program, and also suggests that there would be no good reason for discontinuing the current land-purchase program, evidently on the assumption that the purchase of submarginal wheat land is desirable from the standpoint of long-time adjustment. But the continuation of crop insurance for it would mean that normal yields would have to be established for all participants in the program, and that crop acreages would have to be checked in about the same manner as under the current program. We are agreed that the land-purchase program should be continued, but it should be noted that it is one of the more complicated of the programs now administered by the Department. The location of the purchase area is a difficult problem; the process of actually acquiring title to the area is slow and involves a whole series of minor legal difficulties; and the relocation or resettlement of the families who are to be moved from the submarginal area offers one of the most difficult problems in the agricultural field. Finally, the rehabilitation and continuing management of the area purchased offers a whole series of problems, some of which are both important and difficult. Strangely enough, the land-purchase program, which can usually only mean complete governmental control of the areas involved, is the one part of the current agricultural program which is generally accepted and most often praised by those economists, of whom I am inclined to think Dr. Bennett is one, who are most opposed to and most concerned about governmental interference or control.

The current loan programs for corn, cotton and wheat are of course variations of essentially the same idea as the guaranteed price scheme outlined by Dr. Bennett, except that they operate through a different administrative mechanism, and that they involve the Government taking over a commodity in cases where prices do not improve enough to make it profitable for the farmers to reclaim their corn, cotton or wheat. But I am not at all certain that Dr. Bennett's scheme in actual operation would obviate the government control of surpluses in case such surplus continued to exist. That is, if the acreage of wheat continued at anywhere near its current level with average or better than average yields and stocks continued to increase, I think it is almost certain that the Government would be asked to help dispose of such surplus stocks or to ease the acreage adjustment burden, regardless of the scheme which might be in operation. Or, stated another way, economic analyses and agricultural outlook statements are not so altered as to justify or support the programs of the Agricultural Adjustment Administration. In fact, the exact reverse is a better statement. The programs of the Agricultural Adjustment Administration are continually being altered to meet the exigencies or the problems caused by the current agricultural situation.

II

As I noted at the outset, Dr. Bennett's paper is actually concerned only incidentally with the development of a wheat program. In fact, he himself indicates that he cannot "wholeheartedly indorse" his own scheme; that it is advanced in part because of a statement I once made and in part because he is convinced that some form of governmental interference is inevitable; and that he believes the form which he has suggested would be the most destructive and more nearly in the interest of the general welfare than most of the other schemes which are currently in operation or proposed.

163
With respect to the critics who are usually able to "maneuver from position to position without ever going on record", it might be noted that I also said such critics performed a very useful function and were commended in that they often forced administrators and others to a careful consideration of both their aims and administrative methods which can otherwise be expected. I can see no reason why an economist should object to being labelled as a critic, and my enjoyment of such a thing as this would certainly be diminished if we were all in perfect accord.

But in answer to the main argument, I should like to point out that Dr. Bennett, although he is opposed to collective direction, realizes that an economic system "has to be fenced in by a definite and moderately definite set of 'rules of the game'," and that he would consider it "a gross insult of such an economist as Marshall to say that he ever did assume pure undiluted competition."

Actually, this means that such disagreement as exists between Dr. Bennett and myself is not really a matter of principle, but rather a question of preference with respect to what kind of "rules of the game" are most needed. That is, Dr. Bennett is apparently willing to admit, as are almost all other economists, that we do not live in a world of pure theoretical competition, that there are places where we must have some forms of regulation or government ownership, and that there may be times and places where it is desirable to equalize the competitive powers of the several groups in our economic system.

I have no argument to raise with that general body of economic theory which we usually designate as classical or neo-classical economics, and which is perhaps best set forth in Marshall. It is the most useful and consistent body of theory and analysis with which I am acquainted. My argument is chiefly with those who read into it a general justification of the existing economic order, or who seem to believe that classical economics is essentially a moral code rather than a set of principles which can be used to analyze results to be expected from the adoption of certain measures or which can be used to evaluate economic forces or influences which must be overcome if certain desired ends are to be reached.

In fact, it has always been a surprise to me that most of those who profess to follow the classical tradition and who are so strongly opposed to the use of the centralizing power of the government by farmers in order to obtain effective cooperation, are not the strongest advocates of this movement to strengthen the bargaining power of the farmer group. After all, one of the first assumptions of the doctrine of free competition is that the several parties have equal bargaining power, or at least approximately equal competitive strength. If this equality fails to exist, it seems to me that most economists should be strongly in favor of government action to the extent necessary to restore it.

That is, most of us have been taught economics and have thought in terms of competition between individuals, but I can see no reason why the greater part of the classical doctrine cannot be applied equally well to competition between groups, assuming such groups have equal competitive strength. As a result, it seems that one reasonable solution to our

parent problems would be the use of the power of the Government in order to strengthen and equalize bargaining power of the industries or several economic groups within our economy, and that once these powers are realized, the bargaining process could operate as easily and in as efficient a manner as it is assumed to operate in the field of individual "atomistic" competition.

But this would require that we sanction pressure groups, labor organizations, and the use of the Government in behalf of weaker groups such as migrant laborers, slum dwellers, and the great bulk of our farm population, and I well understand that very few of my friends who class themselves as classical economists would actually agree with such a solution. They would, I am sure, argue that organization and governmental intervention can only operate to encourage inefficiency and would fail to eliminate the unfit in that perfectly ruthless and merciless manner which they feel is so cleansing and beneficial.

But another of the great central assumptions of classical economics is that the actual wreckage occasioned by competition and the elimination of the unfit will at all times be small or fractional. That is, it is perfectly reasonable and consistent to argue that inefficient workers, inefficient farmers, and inefficient businessmen should be broke and be reduced to an inferior social and economic status so long as the number who are actually subjected to this process is so small as to be readily absorbed in the social stream. But when the stresses and strains in our social and economic structure are so severe and so persistent as to reduce and eliminate workmen, farmers, and small businessmen by the millions rather than by the hundreds or thousands, without offering any alternative opportunities or fields of employment, this assumption is violated; and I think that any reasonable economist can only agree that some form of government action is not only inevitable but also to be desired.

In conclusion, then, I want to say first of all that I have found Dr. Bennett's paper extremely interesting and that it contains much with which I am in complete agreement. But we do live in a planned economy, whether we like it or not. In my opinion at least, the choice is not between free enterprise and bureaucratic control, nor between dismal collapse and continuing prosperity, nor between free competition and dictatorship. Instead, I suspect that we will continue to follow some reasonable middle course, that we will continue to compromise the several interests of the various groups which make up our social and economic structure, and that many of the things which we now argue about most violently will soon be accepted as a matter of fact. The argument as to whether agriculture is entitled to be going to receive governmental aid has in large part been settled, and I think Dr. Bennett is to be complimented on the fact that he has devoted considerable part of his attention to the realistic argument as to what that aid should take, for this is a field in which we need all the help that can be obtained.