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PROCEEDINGS

of the

WESTERN FARM ECONOMICS ASSOCIATION

Twelfth Annual Meeting

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University of California

Berkeley, California

$^{\mid\!\!\mid\!\mid}$ ALTERNATIVE AMERICAN WHEAT POLICY

By M. K. BENNETT Food Research Institute, Stanford University

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

Say at the outset that I am by no means clear that this scheme for wheat fact "promote general welfare." Henry Simons, in his pamphlet A Positive laissez Faire..., indirectly defined general welfare (or more narconomic welfare) in terms of "larger real income, greater regularity of and employment, reduction of inequality, preservation of democratic lions." Secretary Wallace said that general welfare, ".... from the malint of view consists of a steady, balanced increase in the production of view as to destroy the initiative upon which the incentive for wealth prolise based."

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

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

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

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

(National Home Library Foundation, Washington, Strail 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" there are described as "informed conjecture" than as science. And "informed conjecture" perhaps more appropriately proceed as perhaps more appropriately presented in sentences beginning "I think that in sentences beginning with the analysis and the control of the con than in sentences beginning with the coldly scientific phrase "It is establish that...."

Ι

The scheme itself is as follows, briefly stated. Let the legislation notice and which now involves soil-conservation pealed which now involves soil-conservation payments to wheat growers, parity payments to wheat growers located in the legislation price price parity payments to wheat growers located in the legislation price p parity payments to wheat growers, loans to wheat growers on stored wheat, sidized exports of wheat and flour and the sidized exports of wheat and flour, and the possibility of marketing quotes have not yet been tried for wheat have not yet been tried for wheat. But let the legislation involving crop is ance for wheat growers stand except to compare the contribution of marketing quotation involving crop is an except to compare the contribution of marketing quotation involving crop is a contribution of marketing quotation of quotatio ance for wheat growers stand, except to amend it so as not to restrict eligible to growers who co-operate in the existing acreage-control program. Nor would be good reason to repeal the logislation which is the program of the logislation which is the second to repeal be good reason to repeal the legislation which authorizes the present purchase program. purchase program.

In place of the legislation repealed, I would substitute legislation wheel some the contract the federal government would be a substitute legislation and the contract the federal government would be substituted by the contract the federal government with the contract the federal government with the contract the cont which, in effect, the federal government would guarantee to registered wheel ers for a period of at least five weeks in the federal government. ers for a period of at least five years in the future a sort of "hard-times" minimum per-bushel return accessived to minimum per-bushel return, conceived as a cushioning of the impact of the special times on producers' incomes, or a protection against contact of the special times of the impact on producers' incomes, or a protection against catastrophe. Just to tie to see up with ideals at present embodied in form locality up with ideals at present embodied in farm legislation, I would like to per Congress fix this depression level of non-level at non-leve Congress fix this depression level of per-bushel return to growers at 52 per of average "parity price" of wheat in the three years preceding the five years period to which the guaranteed return was to analyze the state of the period to which the guaranteed return was to apply. That would mean an an an united States guaranteed minimum return on farms of about 58 or 60 cents the minimum return on farms of about 58 or 60 cents the minimum return on farms of about 58 or 60 cents the minimum return on farms of about 58 or 60 cents the minimum return of a minimum return on farms of about 58 or 60 cents the minimum return of a mini

The minimum return, however, ought not to be a horizontal minimum available growers everywhere on all types and qualities are constant. all growers everywhere on all types and qualities of wheat. The legislation hasely a provide for establishment of a schedule of legislation hasely and provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to provide for establishment of a schedule of legislation has to be a schedule to provide for establishment of a schedule of local guaranteed minima, 11v gold average or normal geographical differences in a average or normal geographical differences in farm prices and on normally millable wheat. Every farmer ought to be shirt in the prices and on normally solutions. millable wheat. Every farmer ought to be able to know, in advance, what per bushel minimum guaranteed nature has made a setum be seen a setum by several and setum by several and several bushel minimum guaranteed return he would get for sound wheat at his usual plant of sale.

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

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

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a plan a At present gre exceb except per-bush dvery promin sets up a goals i lards in thr Would be me ders whenev Ho have aga in stand pophe," and prosperity." Stere would be would pro save the their income dely go a li Haing power elert upon Browers fa apply a soi erosion has nizing that Much bey Certai Machine: importan manipulat: accumula olve dire I cannot wheat mar solely bet The mark 188 58 to 60

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

II

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

prominent difference would be in the objectives or goals. The present sets up as goals parity price, parity income, a fair share of the national goals in my opinion comparable with the ambition of a sprinter to make and in three seconds flat. The plan I offer would be much more modest. Its be merely to soften the impact of low price upon the incomes of wheat wild be merely to soften the impact of low price upon the land than they whenever low prices came. It would give them more protection than they to be whenever low prices came. It would give them more protection than they whenever low prices came. It would give them more processed and extreme rehave against resulting loss of equity and against sudden and extreme rethe resulting loss of equity and against sudden and against standards of living. I would call it an effort to "protect against standards of living. I would call it an effort to "guant system is. an effort to "guant system is." th standards of living. I would call it an ellor to prove to "guaranposperity."

Would be no mention of soil conservation in the preamble of the legislawould be no mention of soil conservation in the preamure of federal propose - no pretense that wheat farmers were being paid federal propose of protections and propose of protections are more proposed for the purpose of protections. propose - no pretense that wheat farmers were being paid to save the nation's soil. They would get money for the purpose of protect-Save the nation's soil. They would get money for the preamble might appropriate incomes when those incomes most needed it. The preamble might appropriate incomes when those incomes most needed it. go a little further, and speak of the desirability of the desirability of wheat growers so as to obtain such favorable effect as this grower of wheat growers so as to obtain such favorable effect as this elert upon the non-farm industries that suffer when the purchasing power of Record upon the non-farm industries that surrer when the particle of the scheme would not be either actually or with the scheme would not too well informed, Solvers falls very low. But this scheme would not be selected, is a soil-conservation scheme. My conjecture, not too well informed, is the soil-conservation scheme. My conjecture, not too most servation scheme. My conjecture, not too most servation while the solution has been overemphasized, made into something of a bogey-man. While the solution is a solution of the solu has been overemphasized, made into bomoving that remedies that soil erosion is a real problem, I am not clear that remedies that soil erosion is a real problem, I am not seem governmental beyond education, demonstration, land purchase by governmental beyond education, demonstration, land purchase of solutions of malpractices, and the normal grinding of certain legal prohibitions of malpractices, and tree rotations. certain legal prohibitions of malpractices, and one malpractices,

important of all, the scheme suggested for wheat would not involve governimportant of all, the scheme suggested for wheat would not market prices either of wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. It would not be suggested for wheat or of flour. the accumulation of wheat or flour stocks by governmental agencies. It would Tolve direct governmental efforts to dispose of surpluses either at home or aims compared live direct governmental efforts to dispose of surpluses either at home or would be would be well to annot emphasize these points too strongly; the government would not be Wheat market. My supposition is that market prices would involve transacwheat market. My supposition is that market prices would include from the solely between private persons, right back to the first purchase from the low indeed. But when it had fallen as The market price might fall very low indeed. But when it had fallen as to 60 cents at country-marketing points, the farmers would have no to 60 cents at country-marketing points, the lames as their return. get only 40 cents in the price; plus 18 or 20 cents in their guarantee. get only 40 cents in the price, plus 10 of 20 decimal were before the good be carried either by farmers or by traders, as they were before the Parm Board - but not by governmental agencies. Surplus disposal to lowbord - but not by governmental agencies. Darphi be easier than to feed use domestically would probably be easier than not be allowed to influence use the simple reason that low price would be allowed to influence use. for the simple reason that now price would be counted upon to search out export business. A farmer could

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required !!!! amount of bil rement. This purchaser 85 At the end icate and on wheat of ains could uaranteed as in opera n his certiff ment on end

ration Would ss so, the appropriate appropriate ue, not from

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

Finally, this scheme would not have in it any element of production of control other than what would be exerted indirectly by the level of guares, minimum per-bushel return to producers. This is the feature of it that mediatort, I conce express at the ortset a suspicion that it is not a scheme likely to lead the ctive directive directive. larger national real income, though it might help to reduce irregularities legately stable smooth cyclical fluctuations.

The plan has no precise counterpart in any country, so far as I know. like the British plan in providing a guaranteed minimum return to produce! out governmental purchase and sale of their wheat; but it is unlike the plan in omitting a device whereby the per-bushel guaranteed minimum declip production rises above a specified level. It also differs from the British in deriving funds from general revenue and not from a levy on flour that it flour prices to consumers. It differs from the Australian system in this also. Unlike the Argentine plan, it does not fix a minimum market price, for does not permit governmental agencies to buy and sell wheat. It differs for Canadian plan in becomes a second to the second to be a sell wheat. Canadian plan in keeping government out of the stock-carrying, buying, and in finalizations. ing functions.

III

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

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

I shudder at ideas of ultimate collective control of the entire economic is because I am deeply convinced that quality tem because I am deeply convinced that such control means impairment of individual income-producing enterprise and areation of the entire economic enterprise and area area area area area area area. vidual income-producing enterprise, and creation of domineering, inefficient slow-moving bureaucracy that could not account to the could not account the c slow-moving bureaucracy that could not avoid putting brakes upon economic ment.

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

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

rather sugge dollars he ^{Mes} of politi are merely co Was shipwrecl

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use disinclination of capital to take risks in recent years is nothing but hels abotage - a "sit-down strike" of capital. This absence of risk-taking rather suggests that nothing is as timid as a billion dollars, and that on or dollars has had a good deal to be timid about recently because it has on or mes nas nad a good guarantees of political enemies.

at met to to be forced in by a definit lead plective direction," though of course it has to be fenced in by a definite rities lerately stable set of "rules of the game" which legislatures set up. The are merely confused by asserting that all legislation is economic planlike A. A. Milne's shipwrecked Old Sailor, we might conceivably be saved not on programs," but by inaction. You will remember, perhaps, that this Old the programs, but by inaction, for will remember, perhaps, that this old ould think which he ought to do first."

> "And so in the end he did nothing at all, But basked on the shingle wrapped up in a shawl. And I think it was dreadful the way he behaved -He did nothing but basking until he was saved."

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is not that his behavior was dreadful, but that he was saved. Inaction no harm. Action might have caused him to fall off a cliff in the dark.

have said is probably enough to indicate that the broad ideals of a other, the competition, a minimum of governmental intervention, as the system start to create and to maintain a high national standard of living, using to include both goods and convices. faire economic system are the ideals that appeal to me. I believe in a to include both goods and services. Observe that I say "maximum of tion," not "absolute prevalence of competition"; and "minimum of govern-This ition," not "absolute prevalence of competition, and intervention." It intervention," not "absolute absence of governmental intervention." It ic complete the fashion among New Deal economists to say that the neo-classical nic control the result of pure and undiluted competition; consequently, since - as everyone knows - we do not have pure competithe theories of the neo-classical economists must be wrong. I think that tion one or the neo-classical economists must be wrong. I think that iping gross insult to such an economist as Marshall to say that he ever did e union to such an economist as Marshall to say that he ever die union to such an economist as Marshall to say that he ever die to the say the say that he ever die to the say that he ever die to the say the say that he ever die to the say the say that he ever die to the say the say that he ever die to the say the say the say the ever die to the say the say the say the say the say the say the find of economic planning, or economic control, or collective direction, ubles learning, or economic control, or collective direction, ubles learning to be used nowadays rather widely, then my preferubtic for laissez-faire.

being my views, there would appear to be some inconsistency in suggestthan half seriously, a sort of an economic plan for wheat. And so onomic be. But at least the plan is one that involves a much smaller degree on since control than we have under the prevailing system. It is not so much of interpretation of the strictures that Dr. Davis has directed against the presticient of the strictures in which he described the subsidior residuals. by some of the strictures that bi. David has allowed and under that those strictures in which he described the subsidies paid under that those strictures in which he described the subsidies paid under the sub Torale...," "....to induce farmers to surrender too much of their freebureaucratic domination."4

ther reason for broaching this plan is purely personal. Mr. Wells, who discuss this paper, has classified economists as "academicians,"

adjusted he perfection No Davis, "Agricultural Problems and Policy," Address before the Republican Davis, "Agricultural Problems and Policy," Address before the Republic Committee in summer conference at Northwestern University, Chicago, Aug. and circulated in mimeographed form by that Committee; reprinted in tural Policy, 1926-1938 (Food Research Institute, Miscellaneous Publi-January 1939), p. 451.

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

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

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

The semi-socialistic ideas that seem to me permanently incorporated in nion are that, somehow or other fluctuations. opinion are that, somehow or other, fluctuations in production and employment and inequalities in the distribution of and inequalities in the distribution of real incomes both between persons between occupational groups must be logger 7 between occupational groups, must be lessened. I suspect that these Signed twins loom substantially lessened. twins loom substantially larger in public opinion and in economic thinking does the idea of somehow or other achieving a loom. 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 lit is easy to see that legislatures and 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 rester the needy and normans to see that legislatures seek to avoid taxation of the poor, the principle of using federal funds to rester the needy and normans to see that legislatures seek to avoid taxation of the poor, and normans to see that legislatures seek to avoid taxation of the poor, the principle of using federal funds to rester the needy and normans to see that legislatures seek to avoid taxation of the poor, and the poor that the principle of using federal funds to rester the needy and normans to see that legislatures seek to avoid taxation of the poor, and the poor that the poor that the principle of using federal funds to rester the poor that the poor that the property of the poor that the needy, and perhaps to go considerably beyond mere relief, is firmly a bight lished, though the method of distributing the feature of the lished, though the method of distributing the funds may not be. There is and cry not only against true monopoly but also and cry not only against true monopoly, but also against economic bigness monopolistic or not. The phrase "fair share of the monopolistic or not. The phrase "fair share of the national income" has plated a vital role in funneling federal money into fair 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 the past law, a Wagner Act. a Social Security Act. years, legislation that scales down federal payments to farmers who operate and scales up payments to farmers who operate these developments add not recommend and the scales are sent as the political payments and scales up payments to farmers who operate and these developments add not recommend and the scales are sent as the sent are sent as t acreages, and scales up payments to farmers who operate small acreages; these developments add up. I think to a scale small acreages; these developments add up, I think, to a permanent shift in public attitude, my opinion they are not likely to be reversed by my opinion they are not likely to be reversed, but only perhaps trimmed or elimination to really emended, if the Republicans win the clear and a stringed or elimination to really emended.

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

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Black, WIII, 657-6

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

H. R. Tolley, "Contribution of Agricultural Economics to the General Suarantee Journal of Farm Economics, February 1939, XXI, 9; and "Discussion by J. Discussion by D. Discussi

Marge national real income. But I have no trouble in perceiving that they nic of the deep-rooted desire to move toward reduction of inequalities in incomes and to the second rear income. Dut I have no trouble in perceiving that they lowerd smoothing fluctuations in real incomes at least of the non-rich. Problems of the second because the best of the non-rich. one would be outside the broad current of public opinion and economic f the today who would say, as Lincoln did: "Property is the fruit of labor; er today who would say as Lincoln did: "Property is the fruit of labor; is desirable; it is a positive good in the world. That some should be that others may become rich, and hence is just encouragement to indusenterprise." Even a trace of the sound core of these ideas is hard to the writings of the many economists who nowadays are so distressed about writings of the many coonsmisses and about what they call "monopoly" or "quasi-monopoly."

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short, I feel that ideals of economic security for low-income groups at Weigh far more heavily in public opinion than ideals of national prosperweigh far more heavily in public opinion than ideals of national prospernew that is so, then it seems to me that the economist with laissez-faire
by may perhaps perform his best service by setting forth, as definitely as
another than ideals of policies that take account of the yearning for security but annov j his idea of policies that take account of the yearning for security but ings, policies that take account of persistent trend-increase of policies in goods and services.

ΙV

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

Miews of policies in general are none too specific, and are probably not besenting. I am not one of the "generalists" that A. G. Black' feels are solve problems even in the relatively narrow field of agricultural ec-Yet, in order to make some move toward addressing the question assigned Cussion here, namely the changes necessary in our economy to promote genfare, I will venture some remarks on general economic policy.

Seems to me clear in the first place that what is most needed now and will in the future is a political atmosphere such that those who control the future is a political aumosphere back that the futures or expansion of capital will be more willing to risk it in new ventures or expansion of The Number One economic problem of the nation is not in my judgment the but creation (or resurrection) of willingness of capital to seek produceposition, or willingness of capital to seek productive investment. Despite the pessimism of some prominent economists, I have no that avenues for productive investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past in the future investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future; people the past investment can be found in the future investment can be found in the future; people the past investment can be found in the future inves we unsatisfied wants, and technological progress can be counted upon. A the political atmosphere such as to encourage risk-bearing would probthe political atmosphere such as to encourage from and more particularly of inner-circle titude di |

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

third place, I feel that the essence of internal national economic ral place, I feel that the essence of internal national economic general ought to be what I have called "protection against catastrophe," ral place of prosperity." It seems to me desirable - and also inevitable subsidization of incomes of the large low-income groups of the nation be available in periods of acute economic depression. Relief of the needy,

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

whether on farms or off, ought to be guaranteed, and in large part by direct eral subside. It ought to be guaranteed, eral subsidy. It ought to be assumed that periods of acute depression are table howard the same of the table, beyond the powers of a democracy to prevent. The major economic function of government sught to be to leave the prevent of government sught to be to leave the prevent. 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 is concerned. I suggest the line as a significant to be a significant to is concerned, I suggest that the scheme outlined above for wheat, with various modifications might be made as a line of the modifications might be made as a line of the modifications might be made as a line of the modifications might be made as a line of the modifications might be made as a line of the modifications might be made as a line of the modifications might be made as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications and the modifications are also as a line of the modifications are also as a line of the modifications and the modifications are also as a line of the modifications are also as a line of the modifications and the modifications are also as a line of the modifications are also as a line of the modifications are also as a line of the modifications and the modifications are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modification are also as a line of the modification and the modifications, might be made applicable. But I shall not suggest how to do

In the fourth place, I feel strongly that the financing of federal subside low-income groups should be from constant. for low-income groups should be from general revenue based heavily on progressing the property of the progressing the progress income taxes, inheritance taxes, and taxes on luxuries, though at times resort borrowing would be recessary. I should be recessary to be a second to be recessary to be a second to be recessary. borrowing would be necessary. I should like to see less emphasis placed on tion as a method of economic control correction. tion as a method of economic control, especially control of large economic but the but whether monopolies or not; and more emphasic placed on the but whether monopolies or not; and more emphasis placed on taxation as a device with the collecting revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to finance subsidization of large economic with the collection revenue to collecting revenue to finance subsidization of low-income groups especially bitmaning depressions.

element of rigidity, of inefficient use of land, labor, and capital, would be or spected (or perpetuated) in a system that needs flexibility and efficient use of land, labor, and capital. To paraphrase other strictures in a system that needs flexibility and efficient use of land, labor, and capital. To paraphrase other strictures in the stricture of the strictu land, labor, and capital. To paraphrase other strictures that Dr. Davis the rected against the present system of agricultural adjustment, I would say broad economic policy outlined above would be a superior of the stricture of broad economic policy outlined above would keep more people in unproductive the pations than the country needs there and would have pations than the country needs there, and would hold down the per capita not be the gereal income in the longer view.

But the degree of disadvantage might well be less than it is under the property in the less than it is under to less than it is under the less than it is under policy we follow at present, at least so long as that policy continues of its least so long as the least so long as discouragement of risk-bearing and continues to face more and more toward participation of governmental agencies in restaurance. participation of governmental agencies in price-making and marketing. The process description of governmental agencies in price-making and marketing. The process description of at least in holding bureaucracy in leash. It would also share in part the advantages as the present policy has in equalization in the part the share advantages as the present policy has in equalization in the part the share advantages as the present policy has in equalization in the part the share advantages as the present policy has in equalization in the part the share advantages as the present policy has in equalization in the part the part that the part the part that the par advantages as the present policy has in equalizing incomes and softening pact of evelical fluctuations of incomes. The pact of evelical fluctuations of incomes and softening pact of evelical fluctuations of incomes. pact of cyclical fluctuations of incomes. It would have the additional superior of being at once a long-term or permanent relief. 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 started by the started by would be the level of the floors that would be put under the incomes of lovel groups. In wheat, the specific important find groups. In wheat, the specific important first decision would be what level in or minimum per-bushel return to producers quant to be a producers and the producers are the the pro minimum per-bushel return to producers ought to be guaranteed. I see no was the or price certain the most appropriate level in advance. Under present circumstances the prevailing ideas of "economic justice" the Communication of the contraction of the contracti prevailing ideas of "economic justice," the Congress would probably fix fait of our too high - just as, I believe, the goals of parity price, parity income, share of national income, and so-called "American standard income, are not as a second income, and so-called "American standard income, are not as a second income, and so-called "American standard income, are not as a second income, and so-called "American standard income, are not as a second income, and so-called "American standard income, are not as a second income, and so-called "American standard income, a share of national income, and so-called "American standard of living" are too high both in agricultural adjustment and income. too high both in agricultural adjustment and in relief under WPA; and just age pension advocates put their claims too birt. age pension advocates put their claims too high. But as the tax burden and in agricultural adjustment and in relief under WPA; and just what lower national debt continued to mount. the Congress and the tax burden and the ges would decide the second term of the congress and the second term of the congress are second to the congress and the congress are second to th national debt continued to mount, the Congress and the public might eventual be neededed that the floors under incomes would have to be a limited to mean the public might eventually a full be need to be a limited to the public might eventually a full be need to be a limited to the public might eventually a full be needed. decide that the floors under incomes would have to be lowered. Eventually at the continuous would have to be lowered. Eventually at the continuous might be received. tional and realistic compromise might be reached between ideals of economic volumes would have to be lowered. Eventually the amount of the state of economic volumes would have to be lowered. Eventually the amount of the state of economic volumes would have to be lowered. Eventually the state of the amount of the state of economic volumes would have to be lowered. Eventually the state of the state of economic volumes would have to be lowered. Eventually the state of the state of the state of economic volumes would have to be lowered. Eventually the state of the state of economic volumes would have to be lowered. Eventually the state of the state of economic volumes would have to be lowered. Eventually the state of economic volumes would have to be lowered. curity on the one hand, prosperity on the other.

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AN ALTERNATIVE AMERICAN WHEAT POLICY: A DISCUSSION

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

ced on this ting or development of his title with considerable interest. Since being asked to discuss Dr. Bennett's paper I have watched onomic wing or acveropment of his title with considerable interest.

device with the Food Research Institute,
device with the argue that the shift represents the triumph of environment over tages will manner", but rather that we tend to discuss and deal with those would be to discuss and deal with which we are best acquainted.

d say that rather than of "changes necessary in our economy in order to But dospite the fact that the discussion is in terms of a wheat ductive the general welfare", it must be noted that Dr. Bennett has not the program for wheat is set the program for wheat is set his subject. Instead his suggested program for wheat is set er the into in the development of a specific program. And in discussing his 1es ward of I want first to give some attention to the suggested wheat protoward poly and second to consider the general philosophy or attitude which g. The processing to consider the general philosophy or attitude which tic process the entire paper and which underlies his suggestions with repart the to wheat.

Ι

sof properties of a guaranteed minimum per-bushel nat 10 m or price for commercial wheat. In fact, one of the stronger no se no series for the program is its simplicity as compared with the comfix the fit of our current wheat program.

and just what lower cost than the current program, I question whether the Although such a scheme might be administered more easily and at a rden and littages would be as great as some people might expect. To begin with, t evening and the as great as some people might expect. To begin with, tevening be necessary to determine each wheat producer's actual sales as neurolic as the amount which is record. economic (as the amount which is normally used or should be retained for seed. opinion at least, this would be about as difficult to determine as to check acreage compliance under the present program. It is also "ted that the minimum return ought not to be a horizontal guarantee, Ather should be set up in torms of a schedulo of minimum returns On average or normal geographic differences in farm prices for millable wheat. Such a schedule could be determined, but it would ontribute to the simplicity of the scheme, nor would it be too easy And, as Dr. Bennett himself realizes, the questions as to the hat which prices are fixed or guaranteed and as to how the scheme be financed would be the subjects of continuous argument.

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In addition, Dr. Bonnett would continue the current crop insurance and also suggests that there would be no good reason for disuning the current land-purchase program, evidently on the assumption the purchase of submarginal wheat land is desirable from the standof long-time adjustment. But the continuation of crop insurance for Would mean that normal yields would have to be established for all Participating in the program, and that crop acreages would have to Weked in about the same manner as under the current program. We are greed that the land-purchase program should be continued, but it 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 18 slow and involves a whole series of minor legal difficulties; and lelocation or resettlement of the families who are to be moved from Submarginal area offers one of the most difficult problems in the field. Finally, the rehabilitation and continuing manageof the area purchased offers a whole series of problems, some of which both important and difficult. Strangely enough, the land-purchase prowhich can usually only mean complete governmental control of the areas ved, is the one part of the current agricultural program which is fally accepted and most often praised by those economists, of whom I ined to think Dr. Bennett is one, who are most opposed to and most fined about governmental interference or control.

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

II

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

With respect to the critics who are usually able to "maneuver from 163" tion to position without ever going on record", it might be noted also said such critics performed a very useful function and were

to position without ever going on record, it might be noted 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 can otherwise be expected. I can see no reason why an economist object to being labelled as a critic, and my enjoyment of such a see this would certainly be diminished if we were all in perfect

But in answer to the main argument, I should like to point out that bennett, although he is opposed to collective direction, realizes that conomic system "has to be fenced in by a definite and moderately set of 'rules of the game'," and that he would consider it "a gross 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 sentett and myself is not really a matter of principle, but rather a stion of preference with respect to what kind of "rules of the game" sost needed. That is, Dr. Bennett is apparently willing to admit, as almost all other economists, that we do not live in a world of pure of regulation, that there are places where we must have some of regulation or government ownership, and that there may be times places where it is desirable to equalize the competitive powers of the game"

I have no argument to raise with that general body of economic which we usually designate as classical or neo-classical economics, which is perhaps best set forth in Marshall. It is the most useful consistent body of theory and analysis with which I am acquainted. It is chiefly with those who read into it a general justification existing economic order, or who seem to believe that classical includes is essentially a moral code rather than a set of principles which used to analyze results to be expected from the adoption of certain which can be used to evaluate economic forces or influences 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 who was to follow the classical tradition and who are so strongly opposed use of the centralizing power of the government by farmers in to obtain effective cooperation, are not the strongest advocates of movement to strengthen the bargaining power of the farmer group.

It has always been a surprise to me that most of opposed the government by farmers in advocates of the obtain effective cooperation, are not the strongest advocates of all, one of the first assumptions of the doctrine of free competities that the several parties have equal bargaining power, or at least that the several parties have equal bargaining power, or at least with the several competitive strength. If this equality fails to the strongly in favor of the centent necessary to restore it.

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

trongthen and equalize bargaining power of the Government in order trongthen and equalize bargaining power of the industries or several comic groups within our economy, and that once these powers are dized, the bargaining process could operate as easily and in as 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 nizations, and the use of the Government in behalf of weaker groups as migrant laborers, slum dwellers, and the great bulk of our farm lation, and I well understand that very few of my friends who class selves as classical economists would actually agree with such a soluthey would, I am sure, argue that organization and governmental vention can only operate to encourage inefficiency and would fail to that the unfit in that perfectly ruthless and merciless manner which feel is so cleansing and beneficial.

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

In conclusion, then, I want to say first of all that I have found th conclusion, then, I want to say III of all the same with the same of the sa am in complete agreement. But we do live in a planned economy, we like it or not. In my opinion at least, the choice is not be-Tree enterprise and bureaucratic control, nor between dismal collapse Continuing prosperity, nor between free competition and dictatorship. lead, I suspect that we will continue to follow some reasonable middle that we will continue to compromise the several interests of the that we will continue to compromise one social and economic structure, and that many things which we now argue about most violently will soon be accepted things which we now argue about most violately and hatter of fact. The argument as to whether agriculture is entitled to by soing to receive governmental aid has in large part been settled, and Dr. Bennett is to be complimented on the fact that he has devoted derable 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 that can be obtained.