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SOME BASIC ECONOMIC ISSUES
CONFRONTING AMERICAN AGRICULTURE

by

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Any endeavor to define the basic economic issues confronting American agriculture offers certain difficulties--difficulties as to issues versus choices of method and difficulties as to whether one should deal chiefly with those things about which farmers are currently concerned, those things with which it appears they may well be concerned sometime in the not-too-distant future, or those things which some feel they should be concerned about but in which they actually have very little interest.

With this one saving note, I shall now indicate what I consider to be at least three of the basic economic issues in the agricultural field. These are:

1. A first basic issue revolves around the general question of the extent to which American farmers and others are concerned in seeing that our soil is conserved and our farm resources efficiently used. That is, it seems to me that there is a conservation issue although to others it may seem that we have already decided the question and that the current argument centers chiefly around organization and method.
2. A second basic issue has to do with the rules of the game under which farmers operate in producing and selling their products. That is, America today is characterized by a considerable degree of organization and by a considerable volume of administered or semi-administered prices in the business field. Again, labor has also become of age and we find a wide range of administered or semi-administered wage rates in the labor field. Increasingly farmers have found themselves forced to consider ways in which they could organize and work together in order to maintain bargaining equality with others within the nation and, within recent years, in the foreign markets in which many of them must sell.
3. A third basic issue or set of issue has to do with the one-half to two-thirds of American farmers whose farm holdings or marketings are so small as to make their interest in either of the preceding issues almost nominal. Perhaps the most real question here is whether these farmers and farm families shall be more or less forgotten as the conservation and price or income issues outlined above are decided.

Perhaps the statements above are too broad. Certainly each of them can be broken down, especially if we want to assume that the issues are settled. That is, if we assume that our soil should be conserved and that the general public as well as the farmers should make some contribution, if we assume that some kind of marketing and price support program should be carried out, if we assume that activities should be entered into which will give all farm people a chance of better schools, better housing and better diet--if we assume any of these things, we can then start an endless argument over the various lines of activities which might best be started or continued.

For example, there are some who feel that ways must be found for reducing marketing costs as a means of increasing farm income and widening the market for farm products, especially fruit. As a result, we have the Flannagan-Hope Act and the proposal to attack this whole marketing sector via research and service activities in the marketing field. But there are some very real difficulties associated with generally reducing the costs of marketing or successfully carrying forward economic research and service work in the marketing field. This is true since:

- (a) Such analyses as are available suggest that most of the marketing costs or margins which farmers, Congressmen and consumers would so well like to see reduced are in effect accounted for by wage rates or the cost of labor. Any substantial reduction in such rates during the years immediately ahead is doubtful indeed.
- (b) A second item which tends to maintain and on occasion increase marketing costs and margins is the service which we so often buy with commodities in the retail market. Again, it seems safe to assume that American consumers generally are going to continue to demand the same or an increased amount of services in connection with the commodities and things which they buy during the years ahead.
- (c) If the wage rate and service items are difficult to reduce, the question will on occasion be raised as to whether the marketing system generally might be reformed in such a way as to eliminate duplication or reduce the amount of what many might consider wasteful competition. Actually, each endeavor to improve marketing in this field will, of course, immediately run up against one or more vested interests so that reductions in costs in this field will be slow, achievements gradual.

All this is not to say that more research and service work in the marketing field is not needed. It certainly is, but you will note that what is actually involved is an approach to the solution of a basic difficulty rather than a statement of the issue itself.

Again, some may feel that one of the basic issues confronting American agriculture is the general question as to how surplus agricultural production is to be disposed of. With agricultural production running one-third above the prewar level, a number of real questions can be raised in this field. So far we have a population increase of about 10 percent and even assuming that we maintain full employment or a substantial approach thereto with per capita consumption, as now, 15 percent above the prewar level, an over-all increase of about 25 percent is indicated in the amount used in the domestic market. This means that we must either find ways of further increasing domestic consumption via the marketing approach suggested above or nutritional devices of one kind or another such as that proposed in the Aiken-LaFollette Food Allotment Bill, or we must make an aggressive attempt to continue moving greatly increased quantities of agricultural products into the foreign market. As a matter of fact, it appears that American farmers must have a rather attractive foreign market for cotton, for wheat, for flue-cured tobacco, for rice, and for apples, citrus and dried fruit unless we are to have some very considerable agricultural adjustments even assuming we are able to maintain full employment here at home and hold food consumption at a high level.

Again, however, we find ourselves drifting into a discussion of solutions or specific lines of attack rather than the basic issue itself.

Some others find the real economic issue confronting American agriculture entirely outside agriculture itself. In general, those who advance this argument believe that what we need are "free prices" or certainly a much closer approach to free prices than now exists in the United States and so argue that the real solution to our agricultural difficulties is to be found in forcing free competition as among workers and business concerns as well as among farmers and, for that matter, their customers in the foreign market. Again, however, we find ourselves talking about a solution rather than a statement of the real economic issues involved. Such a solution in effect assumes farmers should have equal treatment with others and, in case it does not work out, forces consideration of another alternative--that is, the use of marketing controls and price supports.

Again, since this is essentially a western group, there are some who may feel that specific attention should be given to some two or three of the issues or difficulties which are especially important in the West. At least two of these come to mind: There is on the one hand the question as to whether and to what extent certain grazing and forest reservation lands should be continued under government ownership, as well as the equally fundamental question as to the rate at which western reclamation should proceed. Issues involved in both cases, however, are not necessarily confined to the West. After all, there are considerable areas of sub-marginal land over much of the United States, especially in the forested areas, while some of the issues involved in the reclamation field are essentially arguments of the West versus the East.

After starting down each of the roads so far indicated, as well as several others, I have come to the conclusion that the three issues with which these notes were started come reasonably close to the basic issues involved in most of the current discussions in the agricultural policy field. And, having followed these discussions rather closely over a series of years, I have further come to the conclusion that these basic issues are still not settled.

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