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REFORM PROGRAMS AND READJUSTMENTS

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Most of our thinking prior to the early thirties was in a status quo atmosphere. Departures from normal were expected to be followed by a return to "normalcy," as the late President Harding once expressed it. We passed laws and established agencies to prevent departures or to bring about corrections. We encouraged individual farmers to adopt new methods and new equipment while trying to support a price structure under pressure from surpluses which largely arose out of the forward surge in agricultural science and mechanization. To the individual the new offered promise. To an industry it often spelled trouble. It continues to do so. The remedy lies not in regimentation but in alerting the individual to the need for adjustment before he is forced to make it--assisted laissez faire, if you please.

Significant changes were on the way in the status quo atmosphere in which I grew up. There were the farm-sized cream separator, the gasoline engine--especially as it applied to automobile and tractor--, the two-row corn cultivator, improved grain varieties, to mention only a few. I saw the better farming movement blossom out into an elaborate system of county agricultural agents. It now seems to me that the persons involved in the movement thought they were doing something which would stem the much deplored cityward movement by making farming more profitable whereas they were actually reducing the need for farmers.

After about 1910 many laws were passed to improve the farmers' status through "better marketing"--to take care of the second ear of corn which worried men like J. A. Everett who said in 1903 in his The Third Power, (p. 89), that "those who taught farmers to make their farms as productive as possible stopped too soon. They did not show them how to market at a profit." There was regulation of monopolies, of stockyards, of futures trading, of commission men; there were new services--market news, market inspection, development of standard grades; there were laws favoring cooperation and, more recently, laws permitting market control schemes.

Benefits Become Diffused: Numerous writings deal with the way in which the gains from improvements in agricultural production and marketing become diffused throughout the economy.1/ The gist of the matter is that, on the one hand, the individual farmer behaves as an atomistic firm in the economy, readjusting his individual operations to new opportunities for profit, but that, on the other hand, the sum of individual actions is increased supply and lowered prices. Progressive farmers make money because they take up the new before its general adoption has lowered prices. They continue to prosper so long as they stay ahead of the crowd. The final repository of such benefits of progress tend to settle on one or both of two groups, consumers and landowners, with consumers much the more important.

Diffusion of benefits also follows improvements grouped as "better marketing." Here, however, the benefits are so intangible that I am sure some of you will be thinking that what I am saying is nonsense.

1/ On the way the effects of improvements spread themselves out through our economy, see: H. E. Erdman. "Who Gets the Benefit of Improvement in Agriculture?" Journal of Farm Economics, Vol. 11, No. 1, pp. 24-43. January, 1929. Earl O. Heady. "Changes in Income Distribution with Special Reference to Technological Progress." Journal of Farm Economics, Vol. 26, No. 3, pp. 435-447. August 1944. Earl O. Heady. "Basic Economic and Welfare Aspects of Farm Technological Advance." Journal of Farm Economics, Vol. 31, No. 2, pp. 293-316. May, 1949. Sherman E. Johnson. "Agricultural Production After the War!" Journal of Farm Economics, Vol. 27, No. 2, pp. 261-280. May, 1945. Sherman E. Johnson. "A Mid-Century Look at Agriculture in the United States." Journal of Farm Economics, Vol. 33, No. 4, Part 2, November, 1951, pp. 649-662.

The real changes from a particular innovation are nearly always obscured by other changes which occur within the same period. For example, suppose one desires to measure the price effect of the A.A.A. or of the use of hybrid seed corn. Schultz and Brownlee estimated in 1942 2/ that, for four Corn Belt states during the decade of the thirties, corn acreage was down about 10 percent, but yields were up 34.6 percent, so that total production was up about 20 percent. Three main factors were at work: (1) the A.A.A. was seeking to get some corn acreage replaced by soil-building forage crops; (2) producers were rapidly shifting to the use of hybrid seed corn; 3/ and (3) the weather was unusually favorable. Schultz and Brownlee estimated that each was responsible for about a third of the increased corn yield. Their estimate was careful but rough.

We need also to ask ourselves where the completion of the diffusion process leaves the interested parties. With such an improvement as hybrid corn, the consumer will continue to benefit. But, if relative prices fall, some farmers will find them so unattractive that sooner or later they give up corn growing for some other crop, or some other vocation. But a marketing agreement under which prices and returns are raised by diverting part of a crop to secondary uses may lead farmers to produce more; hence, higher surplus disposal rates become necessary; under such circumstances, consumers would by paying higher prices, either or both because of the monopolistic device itself or because of the diversion of resources from their best use. And if, as might well happen, the agreement were discontinued because of increasing frictions in its administration, producers would be in a worsened position while consumers might gain temporarily.

Facilitated Adjustment Approach: If the long-term effects of improvements tend inevitably to be diffused throughout the economy, must we adopt a do-nothing policy? I think not. But we do need to face the fact frankly that improvements in agriculture, except those needed to keep up with population growth or depleted soils, will worsen the position of some farmers; that in a progressive economy there are always some farmers who should be readjusting, and in the past some farmers should have left the farm sooner than they did. Relatively, the shift out of agriculture should slow down now that only about 15 percent of the gainfully employed are in agriculture. What we need is a policy of facilitating voluntary individual adjustment to changed conditions. I have suggested on numerous occasions that some farmers by encouraged to leave the farm if, as I believed was the case, fewer and fewer farmers could feed the growing national population as mechanization and scientific methods become more common. When I made the suggestion at a farmers' meeting in the spring of 1925, the extension director waived the suggestion aside by saying that farmers adopt new methods too slowly to affect prices by their actions. When I made a similar but more specific suggestion at a farmers' meeting in the fall of 1927, the governor, in his banquet speech that evening, said he hoped the remark was facetious and proceeded to laud farming as a way of life. 4/ These attitudes led me to write out my ideas more fully in my paper "Who Gets the Benefit of Improvements in Agriculture?" 5/ in 1929, and again in 1949 in a chapter on "Government Control of Agricultural Prices." 6/

2/ Schultz, T. W. and O. H. Brownlee. Effects of Crop Acreage Control Features of AAA on Feed Production in 11 Midwest States. Iowa Agricultural Experiment Station Research Bulletin 298, 1942. p. 682.

3/ Ibid., p. 682. In 1941, 95 percent of Iowa farmers planted hybrid seed, in 1933, 0.4 percent.

4/ Monthly Bulletin, California State Department of Agriculture, Vol. 17, No. 2, February, 1928, pp. 127-128.

5/ Journal of Farm Economics, Vol. 11, No. 1, January, 1929, pp. 24-43.

6/ Published as Chapter IV of Twentieth Century Economic Thought, edited by Glen E. Hoover, and published by Philosophical Library, New York, 1950.

What I have in mind is essentially a reorientation in our thinking about long-time goals and how to attain them in a free economy. What we need to bear in mind is that individuals tend to adjust to each new development; that each adjusts to the advantage point as he sees it, which is seldom as the industry composite sees it; that, when an industry scheme is set up which restricts the constituent individuals, combined pressure from the latter will sooner or later find a way to break through any constraints. 7/

The United States Congress has long been solicitous of the welfare of farmers. Witness the long list of Acts from the Homestead Act of 1862 to the Agricultural Act of 1952. Under this legislation, our program for agriculture has included three main categories for action:

1. Actions designed to promote efficiency in farming and marketing enterprises.
2. Actions designed to soften the impact of such disasters as flood, drought, and, more recently, abrupt price changes.
3. Actions aimed directly at raising the content of farm living.

The first group was largely designed to implement the old desire to "make two blades of grass grow where one grew before." 8/ More recently, we have added improved marketing as an answer to the farmers' question about disposition of the second blade of grass. Most of the real advantage has ultimately gone to consumers while a very considerable group of farmers has had little if any advantage as producers.

In the second group we have ordinarily done little of a systematic sort to mitigate the results of disaster. In the last two decades, we have added a group of industry control and/or adjustment schemes designed to mitigate the results of abrupt economic change or soften the effect of competition. Many of these have doubtless served a useful purpose in the short run. Marketing agreements and orders have lessened the shock of low prices brought on by seasonal surpluses, and quota schemes have helped in some cases. The long-run usefulness of these schemes may lie in their judicious use in solving short-run problems. 9/

The third group, that aimed at improving the content of farm living, has included mainly such items as good roads, better rural schools, and rural electrification. Here, again, land values will tend to absorb some of the advantage, but rural consumers will keep a "living content" advantage, and all consumers will tend to gain by whatever extent such improvements keep a larger farming population "on the job."

These three lines of action should be continued since, in the first instance, they help the progressive element in the farming population and, in the second instance, contribute to the long-run well-being of the general public. But we should add a fourth point, namely:

4. Actions designed to implement gradual readjustment.

7/ See Mehren, G. L. Agricultural Market Control Under Federal Statutes. University of California, Giannini Foundation of Agricultural Economics Mimeographed Report No. 90, 1947, pp. 29-30. (Out of print)

8/ The oldest American reference to come to my attention on this point is that credited to Thomas Jefferson who had probably read Jonathan Swift's Gulliver's Travels (published in 1721) in which the King of Brobdingnag lauds the man who "could make two ears of corn or two blades of grass to grow ... where only one grew before... ." On Jefferson, see Hugh H. Bennet, Thomas Jefferson, Soil Conservationist. U. S. Soil Conservation Service Misc. Pub. No. 548, 1944, p. 3.

9/ See Mehren, G. L. "Some Economic Aspects of Agricultural Control." Journal of Farm Economics, Vol. 30, No. 1, February, 1948, pp. 29-42.

Action to Implement Gradual Readjustment: There is abundant evidence that the American economy is decidedly fluid; that enough persons stand ready to make advantageous changes to keep the economy in relative equilibrium provided enough know the basic facts. Note that about 95 percent of Iowa farmers adopted hybrid corn in about ten years; 10/ that wheat growers in some north central states largely switched from Marquis wheat to the Thatcher variety in about five years because the new variety was less subject to stem rust; 11/ that between 1930 and 1949 turkey production rose from 17 million birds to some 41 million; 12/ that sheep men decreased flocks from 56 million sheep and lambs in 1942 to 31 million in 1950. 13/

These adjustments were the results of thousands of individual decisions. Doubtless, many of these were expedited by knowledge provided by our agricultural extension service. What is needed is not only information on the basis of which those decisions may be made with a high degree of correctness, but on the basis of which some farmers might retreat from farming before low returns wreck them. With increased speed in the adoption of new processes or equipment, the tempo of readjustment needs also to be increased.

Among the devices or methods of expediting adjustment, I should like to suggest:

1. Improved and expanded outlook service.

   a. The crop and livestock outlook service of the U.S.D.A. has been excellent. It was a step in the right direction.

   b. Farmers and their families need information on employment opportunities in other parts of the country in various lines of economic activity. The automobile has already done much to increase the fluidity of the younger element in the labor supply. The United States and state employment services are steps in this direction.

   c. A special service is needed by boys at school age. If in some sections more young folks are growing up than will be needed, some may well choose other occupations than farming. But such occupational guidance needs the best counseling that can be obtained. Glorification of farming as an occupation is not an answer.

   d. We may need education for readjustment. If it is farmers who need to learn the growing of new crops or the use of new methods, the job is one for the agricultural extension service. If it is education for another vocation than farming, there are already many night schools and adult training schools. Here, again, guidance is needed. There is no use in training a boy or retraining a man for a job he cannot handle when he has been trained, or for one which is closed to him because of union rules or other restrictions.

   e. The various credit agencies need to be alerted to the nature of the adjustment process and to the part they can play. It is often folly to extend credit to persons who may find themselves in virtual

10/ Schultz and Brownlee, op. cit., p. 682.

11/ Clarke, J. A. and K. S. Quisenberry. Distribution of the Varieties and Classes of Wheat in the United States in 1939. U.S.D.A. Circular 634, 1942, pp. 42-44.

12/ U.S.D.A. Agricultural Statistics, 1950, p. 480.

13/ Ibid., p. 382.

bondage if they expect to pay out on a narrow margin "in the long run" of forty years--five or ten years is a long time for a family of youngsters to live in such a situation.

f. We need to develop further the use of various indexes, to indicate changes that are going on, in such a way as to be helpful to farmers. The old "purchasing power" index and the "parity" index were useful in a broad sense to show the direction of change. Indexes would be useful which show regional changes in such aspects as land prices, rentals, foreclosures, tax delinquency, etc. Professor Black has recently suggested the use of indexes patterned after the Boston milk index developed a few years ago.14/ A variety of special indexes --such as the egg-feed price ratio, the hog-corn price ratio, etc.-- are already being published by the U. S. Department of Agriculture.

14/ Black, John D. "Coming Readjustments in Agriculture--Domestic Phases." Journal of Farm Economics, Vol. 31, No. 1, Part 1, p. 12.