

LAUREN SOTH

Farm Trouble



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BY LAUREN SOTH

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Preface

This book is a report on some of America's most difficult social and economic problems—those connected with the adjustment of agriculture to a growing industrial economy. It is also a proposal for change in public policies related to farming.

The United States has had nearly a quarter-century of experience with government farm programs designed to support farmers' incomes and to help adjust agricultural production to changing market demand. This book contends that we are not taking advantage of the lessons from this experience. Acreage controls have not been successful, yet we continue to employ them. Price supports limited to a few basic crops have not done a good job of stabilizing total farm income. The methods used to protect prices of farm products have seriously misdirected production and interfered with an agreed national policy of freeing the channels of foreign trade.

Moreover, our public efforts have been timid at best so far as the fundamental problems of farm adjustment are concerned. One-third of American farm families live in poverty even during boom times. Their farming techniques are archaic. They are outside the stream of twentieth century progress. This is more than a farm problem—it is a national social cancer which an enlightened democracy cannot tolerate. We need a "Point Four" program of technical assistance here at home, along with a vigorous effort to reemploy and relocate people not needed in agriculture.

Commercial farming is faced with the possibility of another long depression, a cost-price squeeze, like that of the 1920's. The basic cause is a powerful tendency for farm output to grow faster than the demand for farm products. In most industries a larger volume means a larger gross income. In agriculture a larger total supply often means

less gross income. The American farmer's unexcelled productiveness has turned like a Frankenstein's monster to injure its creator.

To many people, city and farm dwellers alike, it seems ridiculous that the United States should be troubled with surpluses when two-thirds of the world's peoples are short of food. It *is* ridiculous, of course; it is crazy. This is a crazy world in lots of ways. It is not easy to give away food. Farmers in countries which are short of food do not want the United States to ship low-priced or free food in competition with their products. Farmers in other food-exporting countries, such as Australia and Argentina, resent American food gifts or cut-rate sales to countries which are their customers.

Nevertheless, the United States should be trying constantly to increase exports of farm products. It should never give up seeking new ways to make effective use of its bountiful food production. In some countries it may be possible to establish food-distribution programs, outside the normal channels of trade, which will not offend local producers or competitive exporters. Any action which would increase the dollar buying power of food-short countries would help solve the farm surplus problem. This means, primarily, larger imports into the United States. But not many industries suffering import competition want to make this kind of contribution to ending the farm surplus.

The tendency to surplus production in American agriculture will be with us for some time to come. Even if production controls worked smoothly and efficiently, which they do not as our experience shows, we should try to expand consumption both at home and abroad. It goes against the moral grain of most Americans to restrain food output so long as hunger exists in the world.

If the nation does not want to restrain food production while people are hungry, then the farmer should not have to bear the entire cost of this welfare program. Farmers

cannot afford to produce abundantly when this means low incomes, lower than the average for nonfarm people. They would prefer to produce without restraint. But they will call on government to help them cut production and raise prices if that is the only way they can increase their incomes.

Many of our public policies tend to worsen the imbalance between farm product supply and demand and should therefore be changed. Instead of trying to plan agricultural production in detail by means of acreage controls; instead of trying to buttress farm income by price supports which encourage excessive output of certain crops—this book suggests that agricultural subsidies be paid in direct form. It suggests that subsidies for genuine soil conservation be increased to replace parity price-fixing crop loans and government purchases. It argues that open subsidies, not related to the prices of individual commodities, are more consistent with a private enterprise economy.

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Farm Trouble

1

The Continuing Debate

A great controversy is raging over agricultural policy in the United States.

It will not be settled in the 1950's or the 1960's. It is a continuing great debate like the 150-year dispute over tariff policy, which was not settled by Henry Clay's victory for protectionism in the Tariff Act of 1824 or by Cordell Hull's victory for freer trade in the Reciprocal Trade Agreements Act of 1934.

City people may think it strange that agricultural policy figures so importantly in the American political scene today when farm people have dwindled in numbers to only about 13 per cent of the population and are still declining. But this is precisely the reason *why* farm policies are in the foreground of the political picture. Agriculture is a declining industry—an industry of low returns. Despite the rapid decrease in number of farms and number of workers, American agriculture still has a great adjustment to make. Despite much political agitation and much government effort in the last quarter-century, the nation has not been able to achieve a full response of agriculture to a prosperous and growing general economy and to agriculture's own technological revolution. Too many people still depend on farming for a living.

Except during wartime, much of American agriculture has been in financial difficulties since 1920. Farmers suffered a severe squeeze between the prices they receive and the costs they pay during the 1920's when the economy as a whole was booming. The same sort of squeeze has reappeared now in the 1950's and threatens to be with us for some time. After years of experimenting with government farm pro-

grams, no magic-wand solutions have appeared to resolve the farm paradox—the paradox of bountiful production and low income for the producers of the bounty.

Nor will “letting nature take its course” cure the patient. Some people apparently believe that the farm problem will disappear if you can make the visible evidence of it disappear—just liquidate the large surpluses of grain, cotton, and dairy products and turn farmers loose to make the best of it. Unfortunately, the ailment we are dealing with is more chronic than that. The forces of “natural” adjustment grind very slowly and painfully. The American people are unwilling to put farming through the wringer of a long drawn-out agricultural depression. That is why they generally have approved the many government programs to help farmers in the years since 1920.

In some quarters, to be sure, there is a tendency to write off the farmers’ complaints as those of cry-babies. For example, here are some sentences from an editorial by Editor John Fischer in *Harper’s* in December 1955:

“Our pampered tyrant, the American farmer, is about to get his boots licked again by both political parties.

“Before next November’s elections, Democrats and Republicans alike will be groveling all over the barnyard as they court the country vote—but the Democratic antics will be the most embarrassing. Nearly all Democratic politicians are now convinced that the farmers offer the largest single block of detachable votes—and many seem willing to use almost any tool of demagoguery which promises to pry it loose from the Republican grasp. . . .

“The record of recent elections indicates that the farmer is generally eager to sell his vote to the highest bidder, and that city people are too indifferent (or benumbed) to resent this legalized corruption, even when the bribe is lifted right out of their own pockets. But don’t blame the politicians for this record. They didn’t make it. We did—all of us.

"Our only excuse is that for 20 years—from 1920 until 1940—the farmers were in pretty bad shape. During these decades, city people got in the habit of giving them handouts, and haven't yet discovered that times have changed.

"The farmer not only got in the habit of accepting his dole; he came to believe that it belonged to him permanently, as a matter of right. When any hog keeps his jowls in the trough long enough, he gets to thinking he owns the trough."

Not much of this sort of thing gets printed or spoken publicly, but enough does to indicate that some city people view the farm problem as a simple issue of whether farmers get government handouts or not—as though no other economic group received any subsidies, open or disguised!

On the other hand, many farm leaders and politicians approach the problems of agriculture in an equally oversimplified way. They see the answer to all farm troubles in higher prices for farm products. Edward A. O'Neal, president of the American Farm Bureau Federation during the 1930's and 40's, used to tell of a conversation between Samuel Gompers, the great labor leader, and himself. O'Neal said to Gompers, "Sam, you have had great success in organizing labor to work for its own interests. I am starting out to help farmers as you helped labor. Have you some advice for me?"

"I surely have," said Gompers. "The American Federation of Labor is interested in much more than wages for its members. But it does not stress these other things. We pick out one thing, simple, that everybody can understand, wages, and fight hard to raise them. You must do the same."

O'Neal then said, "I suppose then that you would say higher prices for the farmer is what the Farm Bureau should fight for."

"I surely would," replied Gompers.*

* John D. Black of Harvard University repeated this story in his presidential address to the American Economic Association in December 1955.

Under Ed O'Neal, the Farm Bureau did fight for higher prices for the farmer by means of government price supports. In more recent years, during the presidencies of Allan B. Kline and Charles Shuman, the Farm Bureau has stood for moderation in government price guarantees. The Farm Bureau opposed the Democratic administrations of Harry Truman on price support policy, and it backed the Eisenhower administration in its effort to reduce price supports. Though the Farm Bureau is by far the largest and strongest of the major farm organizations, its moderation has not prevailed. The "farm bloc" in congress in the postwar years usually has advocated and been able to maintain high price supports for agriculture—high in the sense that they have kept basic crop prices far above world levels.

The explanation may be partly that other farm organizations, especially the National Farmers Union, have exerted pressure for higher price guarantees, and partly that commodity groups within the Farm Bureau itself have done the same. Also, it may be that most congressmen believe Farm Bureau spokesmen do not truly reflect the opinion of the rank and file. Several congressmen have asserted this, and public opinion polls in some midwestern states indicate that there may be truth in it.

At any rate, the political appeal in the Gompers dictum of a "simple" drive for higher price guarantees for farmers has been a powerful one since the end of World War II. When the government promised farmers high prices for their products as an incentive to get more production during the war, it was generally understood that the guarantees would be lowered after the war, allowing a reasonable time for farmers to adjust. In 1948, Congress passed a law providing for a gradual lowering of price guarantees. But this law never was permitted to go into effect. Congress kept postponing year by year the adjustment to a new price level until 1954. Then the new Republican administration pushed

through Congress a modified version of the 1948 act. Under this law the Department of Agriculture lowered price supports on basic crops slightly for the year 1955. But in 1956, a presidential election year, the drive for a return to wartime price guarantees was renewed. It was strong enough to get a bill through Congress. President Eisenhower vetoed the bill, but in vetoing it he promised to raise the price supports by administrative action considerably above previously announced levels. Then Congress passed another farm bill, which the president signed, maintaining the major provisions of the 1954 law on price guarantees. This law permits the administration to adjust price supports for certain designated "basic" commodities according to the supplies of those commodities. But the range is a narrow one, and the Eisenhower administration proved during the 1956 Congressional debate that it would respond to political pressures in setting the level of price supports.

The farm policy controversy since the end of World War II has centered largely on the level of price guarantees. It also has involved a number of other hot issues: how the government soil conservation programs should be conducted, and by which agency; whether the government should pay farmers direct subsidies in lieu of price supports; policy toward the small farmer as against the large; aid to the poorest farmers, especially in the South; tariffs and quotas on imports of farm products; the fight between butter and margarine; and many more. But prices have been the big issue.

The line-up of the contending forces on agricultural policy is difficult to describe, because the lines are mixed. In general the Republican party has taken the conservative side of farm questions: for lower price guarantees, for less interference by the government in farmers' decisions, for greater reliance on education and research to solve farm problems. In general the Democratic party has taken a more daring attitude

toward government action. It has favored higher price guarantees, more aid to underprivileged farm families, and acreage and marketing controls. It has been willing to try direct subsidies instead of price support loans and purchases as a means of aiding the producers of perishable commodities.

Many Congressional Republicans, especially from the Midwest and Great Plains states, often side with the Democrats on price supports and other farm matters. And some Democrats—for example, Senator Clinton P. Anderson of New Mexico, who was secretary of agriculture under Harry Truman—line up with the Republicans on the same issues.

In Congress, farm policy tends to be fairly nonpartisan in comparison with policy on most other domestic issues. In the debate on the farm bill of 1954, Representative Walter Judd, Republican from Minnesota, said that the farmer was in trouble but not through his own fault or through the fault of Mr. Benson or Mr. Eisenhower, or Mr. Truman or Mr. Roosevelt. "The farm program, under which the farmers are having so much difficulty," said Judd, "was written by the farm bloc in congress. It did not pay any attention to Mr. Roosevelt, to Mr. Truman, to Mr. Brannan. It does not intend to pay any attention to what Mr. Eisenhower or Mr. Benson recommend."

There is much truth in this. In the last few years the farm bloc has not been nearly as solid, or voting on farm issues as nonpartisan, as in the twenties. In one key vote on the McNary-Haugen farm relief bill in 1927, 101 Republicans and 100 Democrats voted for it in the House; 68 Republicans and 53 Democrats voted against it. Obviously this was a non-party-line vote. In contrast, the vote on the key price support provision in the 1954 farm act was strongly along party lines. In the House, 182 Republicans and 45 Democrats voted for the administration bill; 147 Democrats and 23 Republicans voted against it. The same party breakdown showed up in the Senate vote. However, in 1956, Republican

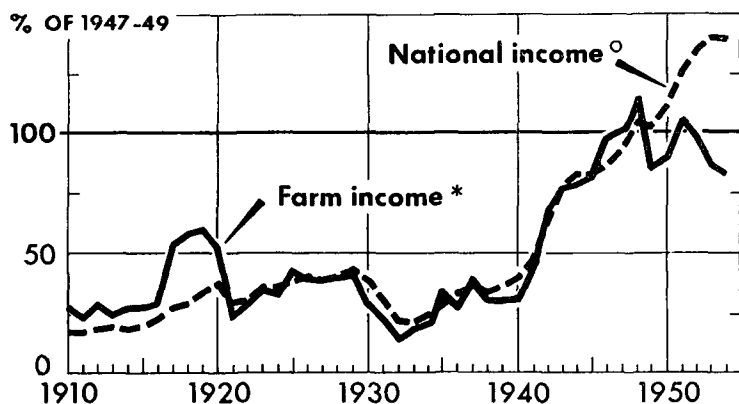
Congressmen from farm districts were much less inclined to follow President Eisenhower than they were in 1954. This seems odd in view of the fact that 1956 was a presidential election year and Mr. Eisenhower's popularity was undiminished. But the difference between 1954 and 1956 was the sharp decline in farm income between the two years. Farmers, though not "in revolt" as some reports indicated, were unhappy about economic conditions in 1956 and were expressing themselves on policy matters more vociferously than before.

Agriculture Secretary Ezra Taft Benson had led many farmers to believe that he was fundamentally opposed to any government action to protect farm income. His speeches carried a tone of stern disapproval of government intervention in the farm business. And though Mr. Benson stated repeatedly that he favored price supports (at a modest level), conservation payments, and other aids to agriculture, he conveyed the impression that he disliked the whole set-up and would abandon it if he could. Moreover, Benson failed to use powers available to him to protect farmers against the very severe drop in hog prices in the last half of 1955—though farm organization leaders and midwestern Republican politicians urged him to act.

Mr. Benson, True Morse, his undersecretary of agriculture, and Earl Butz, one of the assistant secretaries, all are staunch conservatives. Their speeches appeal to many farmers during good times. But at a time when farm income is on the skids, few farmers like to be told they should take it on the chin and not call on the government. This was the way many pronouncements from the Department of Agriculture sounded to farmers in 1954-55.

Thus in 1956, Republican congressmen were reflecting a considerable amount of farmer dissatisfaction with the Benson administration of the Department of Agriculture and with the "flexible" price supports which Benson advocated.

CHART 1. National and Farm Income



* FARM INCOME REFERS TO NET INCOME FROM AGRICULTURAL SOURCES TO PERSONS LIVING ON FARMS
 ° DEPARTMENT OF COMMERCE ESTIMATES OF NATIONAL INCOME HAVE BEEN ADJUSTED TO MAKE THEM COMPARABLE WITH FARM INCOME ESTIMATES

U. S. DEPARTMENT OF AGRICULTURE

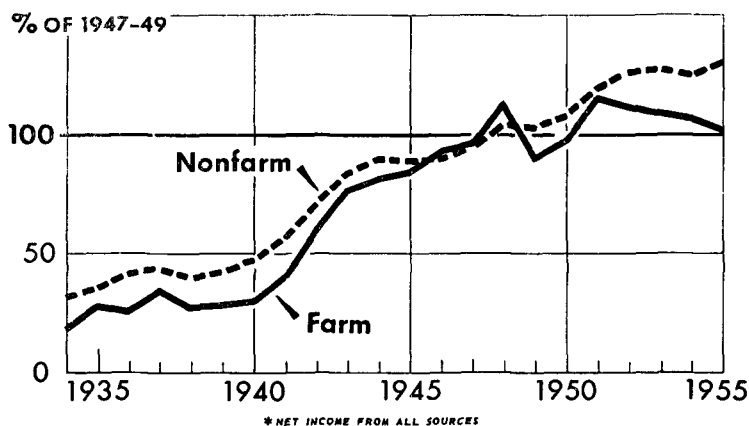
NEG. 1729-55 (11) AGRICULTURAL MARKETING SERVICE

The party regularity on farm policy did not hold up as well as in 1954.

The election year 1956 was the fifth year of a steady decline in farm income following the Korean war peak. It brought out any latent tendencies of politicians to jump over party lines on the farm issue and greatly emphasized the "farm vote" in politicians' minds. It also brought about some changes in party positions. The Republican administration retreated from some of the policies which had been strongly emphasized in the 1952 presidential campaign and in the 1954 Congressional campaign.

As late as the summer of 1955, Secretary Benson and Undersecretary Morse had said they were opposed to direct subsidies to farmers for leaving crop acreage idle. The farm organizations, even including the Farm Bureau, advocated a "soil bank" plan—under which farmers would be paid to reduce acreages of basic crops below the regular allotments

CHART 2. Farm and Nonfarm Income per Person



U. S. DEPARTMENT OF AGRICULTURE

NEG. 1797-56 (10) AGRICULTURAL MARKETING SERVICE

of the established program. Mr. Benson would have none of it. But by January of 1956 he was persuaded that the soil bank was a good idea. President Eisenhower presented such a plan to Congress in a special farm message, and the administration forces in Congress carried it through to enactment.

The administration also responded to the demand for higher price supports for 1956 crops, as has been mentioned earlier.

After the 1956 farm act was passed, the question arose as to whether the soil bank feature could become effective that year. At first, Secretary Benson said it could not, because many crops had already been planted by May, when the law was passed. A few days later he said his department would try to get it in operation. But he said he would not be in favor of letting farmers plow up acreage already planted. The Republican party for more than twenty years had been denouncing the Democrats, especially Henry A. Wallace,

the New Deal secretary of agriculture, for plowing up cotton in the early thirties. By June, however, Mr. Benson had given in on this too. He announced that farmers could plow up or clip oats or corn and place this land in the soil bank so as to receive payments.

The rigid principles of "free enterprise," moderate price supports (as a protection only against "disaster," as Secretary Benson said soon after taking office), limited crop controls, if any, and no direct subsidies had been virtually abandoned by the Republicans.

Congressmen running for election in 1956 went even further than the administration. Senator Bourke Hickenlooper of Iowa, a regular Republican who had supported the administration all the way on agricultural policy, proposed a radical new method of emergency farm aid in the winter of 1955-56. Hog prices had sunk to about \$11 a hundred pounds in December 1955. Hickenlooper proposed that farmers be given a subsidy payment for selling sows and gilts, in order to cut the production of pigs in 1956. This was reminiscent of the sow and pig slaughter program of Henry Wallace in 1933, which was so fiercely condemned by the Republicans. However, Mr. Benson did not like the idea, and Hickenlooper did not push it.

Many congressmen who had favored "flexible" (lower) price supports switched over to the "rigid" (higher) support side of the debate in 1956. Republican governors in the Middle West met to discuss farm problems and put the heat on Secretary Benson to use his authority to buy pork to bolster the price of hogs. Benson did inaugurate a modest pork-buying program, but it was not enough of a program to have an appreciable effect on prices.

One big reason for all this furor about farm affairs among the candidates for office may have been the memory of the presidential election of 1948. In that election Harry Truman surprised the opinion pollsters and the politicians by defeat-

ing Governor Thomas Dewey—largely, it was believed, because of his swinging of the farmers' votes in the Middle West. The circumstances were persuasive: Truman unquestionably turned the tide in his direction during the late weeks of the campaign, and he was attacking the Republican Congress bitterly on farm issues during those weeks. This interpretation of the 1948 Truman victory has been convincingly challenged; to say the least, it is over-simplified. But regardless of that, the important thing is many politicians believed it.

The 1948 election undoubtedly has had profound effects on farm policy since then. Until that time, the major farm organizations, the Department of Agriculture, and both political parties were agreed on the principle of a so-called "sliding scale" of price supports to replace the "fixed" guarantees of the war and preceding postwar years. After 1948 most Democrats, the Farmers Union, and the "farm bloc" in Congress abandoned the sliding scale idea. Mr. Truman and his secretary of agriculture, Charles F. Brannan, had plugged hard for "high, rigid" price supports in the campaign.

Another landmark in the postwar history of farm policy was the sweeping proposal for change made by Secretary Brannan in 1949. Brannan suggested a much more inclusive system of price supports. Instead of guaranteeing farmers minimum prices only for the legally designated "basic" crops—cotton, rice, peanuts, tobacco, corn, and wheat—Brannan would have included virtually all farm products. Many "nonbasic" products had been included under the wartime guarantees but were dropped soon after the war. Brannan also proposed a higher price support level, based on maintaining a certain share of the national income for farmers. And he advocated direct payments to farmers in lieu of price support for perishable commodities. That is, farmers