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AGRICULTURAL POLICIES AND ECONOMIC GROWTH

Herman M. Southworth
Professor of Agricultural Economics
Pennsylvania State University

Both underdeveloped countries and highly developed countries like our own are interested in economic growth. The position of agriculture in the two situations is markedly different. Yet the impact of growth upon agriculture and upon farm people is strikingly analogous.

In underdeveloped countries agriculture clearly occupies a key position in economic growth and industrial development. Agriculture is the major existing industry. Increase in agricultural production is essential to: (1) free manpower for industrial employment; (2) provide food for the growing industrial population; and (3) provide exports to obtain foreign exchange for the purchase of industrial capital goods.

The problem is one of forcing the rapid development and adoption of technical improvement in agriculture to implement this bootstrap operation. The arguments turn on such questions as: (1) What level of investment to direct to agriculture itself—should capital funds be spent on tractors and other mechanized equipment and large irrigation works; or should they be directed toward rapid industrialization, in hopes that agriculture will follow; or should the program be one of “balanced growth”? (2) How rapidly should—and can—traditional patterns of agriculture and rural life be changed, through consolidation of farms, mechanization, or perhaps the organization of large-scale collective farms?

Different countries are experimenting with different answers to such questions as these. But the basic aim is the same—a maximum rate of growth for the economy as a whole. The differences in method turn on differences in the willingness of the population to tighten their belts today in the cause of future production, their willingness to give up traditional ways of living and traditional methods of production, and the power of the state to overcome unwillingness through persuasion and coercion.

In a technologically and industrially developed country like the United States, agriculture no longer occupies the key role in growth. Our farm population has shrunk to a small fraction of

the total population, so that shifting people out of agriculture is no longer the chief source of industrial manpower. Our people are mostly well fed—our doctors tell many of us that we are overfed—yet we have large surpluses of food and fiber, thanks to our great agricultural productivity. And far from scrimping on domestic consumption to release farm products for exchange abroad, we cannot find enough foreign outlets for our surpluses even by giving them away.

In this setting, the problem of balanced growth between agriculture and industry takes on a different color. Demand for farm products at our level of satiety is relatively inexpandible; the potential for rapid growth is in other industries and services. The question is rather whether we have outdone ourselves, relatively, in agricultural productivity.

Yet we, also, are concerned with problems of rural social adjustment—not, however, in order to force technological advance in agriculture, but rather to deal with the disturbing consequences of the rapid rate of advance that we have achieved and that seems bound to continue.

APPROACHES TO THE AGRICULTURAL PROBLEM AND THEIR IMPLICATIONS

Against this background I should like to outline some of the main approaches to the domestic agricultural problem, noting their implications regarding economic growth.

First is the classical laissez-faire approach. This approach holds that the whole effort to “do something” about the “farm problem” was a mistake in the first place; that the bankruptcy of such an endeavor is now so obvious that only the blind—or those who will not see—can fail to recognize this, and that the only sound solution is to write off our losses as quickly as possible and then let nature take its course.

This line of action is not too vocally advocated by many agricultural economists at present. But it is clearly reflected on the editorial pages of the *Wall Street Journal*, for example, albeit with a tone of considerable despair that the politicians—even those now dominating the Republican party—will ever accept this sound advice.

The advocates of this approach argue that our historic rapid economic growth was achieved under a laissez-faire economic policy, and they see no reason to suppose that this would not continue to work if given the chance. They consider themselves liberal

economists—indeed, they feel that they are the last, lone remnant of true liberalism. In the struggles of one and two centuries ago to free the industrial revolution from restrictive government controls, laissez-faire was, of course, the liberal doctrine. To the Americans for Democratic Action who seek to pre-empt this title today, however, the laissez-faire school is conservative or downright reactionary. Thus does history shift the meanings of terms with semantic content.

I suspect that a good many more people, including many agricultural economists, might espouse the laissez-faire approach today if they could contemplate its shorter-run implications. But simply to cut loose of the current surplus stocks in government hands is a thought too dreadful to contemplate. And the laissez-faire economists are temperamentally ill equipped to offer easy answers to this problem. To some of them, indeed, easy answers are morally inconceivable. We got ourselves into this mess by sinning against God's economic laws. Having sinned, we must accept payment of the penalties—and the longer we postpone repentance, the heavier the penalties grow.

Most present-day economists are less ready, however, to accept laissez-faire principles as immutable laws of God. They take, rather, more of what might be called an engineering approach to economic problems. To the engineer, a river is not a God-imposed barrier, the crossing of which is inherently sinful. If man wants to get across, he designs a bridge. Similarly, the job of the economist is to devise solutions to economic problems.

To the engineering-minded economist, then, our farm problem is to design the best way of getting where we want to go. The question is, where do we want to go? Here we find a whole spectrum of schools of thought, with the various colors shading into one another and combining in various ways.

One of the simpler approaches makes economic efficiency the exclusive goal. What we want is an optimum utilization of resources to maximize output. This is clearly an "economic growth" approach. Modern agricultural technology makes possible great advances in productivity, so that our needs for food and fiber can be met with fewer resources than in the past—especially with less labor. The trouble is that our traditional market mechanisms, especially the "factor markets" (labor, to this school, is a "factor") are "imperfect": they have bogged down in the immobility of resources.

What with the problem being confused by recessions, wars, and

other disturbances, we have failed to diagnose the disease and have treated only the symptoms. Our farm programs have not helped to overcome the underlying causes but rather have retarded the needed adjustments.

The solution in this light is straightforward: labor resources need to be shifted from agriculture into more productive occupations—let us devise ways of overcoming their immobility and shift them. This may require overcoming lack of information through an expanded industrial employment service in farming areas. It may require loans or outright grants to help people make the shift. It may require vocational training services to equip surplus farm labor for industrial jobs. Along with this might go programs for farm consolidation and enlargement for those who stay in agriculture, to increase their productivity more rapidly toward the potentials implicit in modern technology.

A good many people, however, including many reputable agricultural economists, feel that the "efficiency" approach grossly oversimplifies our goals. They point out that farmers are not just a "factor"—they are people, with human aims and aspirations, abilities and disabilities, frustrations and despairs. They point out that the farm labor force has been decreasing for about fifty years, and that in the last decade or more this flow has been great if not torrential. They question whether rural society, or the nation, can stand having it accelerated further. They question the possibility of retraining large numbers of farm people, especially the older generation, and settling them happily—or even tolerably—into nonfarm jobs. They doubt the ability, or the willingness, of the nonfarm labor markets to absorb farm people faster, even with industrial prosperity. In varying degree they prefer to sacrifice efficiency for the sake of human or humane values, and in the name of equity.

In effect this has been the approach of our existing price-support program. This program was devised as an emergency measure of "agricultural adjustment" at a time when the chronic nature of agricultural distress was obscured by the aftermath of the first World War and the Great Depression of the thirties. It was based initially on the premise that the transient distress could be overcome if surpluses could be held off the market until the market re-established itself. The Federal Farm Board of the twenties, however, was caught overstocked in the collapse of the thirties. Obviously, the storage of surpluses had to be supplemented by the control of production. This was attempted through the regula-

tion of a single input, land—the input that uniquely characterizes the agricultural industry.

Land is a necessary resource for farming, but other inputs can be substituted for it to some extent. Under the adjustment program, farmers collectively planted fewer acres, at least to the basic crops; but they individually increased their yields on the acres they did plant through such methods as use of more fertilizer.

The adjustment program of the thirties was saved from bankruptcy by the extraordinary demands of the second World War. The accumulated surpluses were used up and acreage restrictions were changed to acreage goals for expanding production. Meanwhile, farmers were promised protection from the postwar consequences by the guarantee of continuing price supports for an “adjustment period” after the war.

As all of you know, this “adjustment period” has been extended and re-extended, and by now it is apparent that agriculture faces not a transient but a chronic maladjustment. More fundamental measures are needed.

One school of inheritors of the traditional price-support program argues that our failure lies in trying to adjust supply to demand through controlling the single input, land. The solution is to broaden our approach to supply control.

The most far-reaching proposal along this line is issuing to individual farmers certificates specifying their shares of the market. Annually, commodity by commodity, national sales quotas would be determined in the light of prospective demands at “fair” prices. The certificates that each farmer holds would tell him how much of the commodity he could sell.

He would be free to use such combinations of land, labor, fertilizer, and other inputs as he chose in producing his quota. The restriction on total supply would automatically assure the intended market price, but without the interference with production efficiency inherent in an acreage allotment system.

To encourage efficient adjustments, the certificates would be salable. The farmer wanting to enlarge his operations could do so by buying additional certificates. The farmer wishing to leave farming would have fewer losses to write off; he could realize something from the sale of his certificates. Thus, mobility of resources would be fostered rather than hindered.

Compared with the present price-support program, this proposal

would be less costly to the government since commodity purchase and storage operations would be reduced to a minor stabilization operation. (Something would have to be done about the present stocks on hand, but this is a transitional problem that any other proposal must face.) Costs would be chiefly those of administration. (Some people shudder at the administrative problems that would be involved, quite apart from the matter of costs.)

With regard to economic growth effects, the proponents argue, as already pointed out, that the proposal would be less restrictive than the present program on farmers' freedom to operate efficiently. And as compared with a laissez-faire policy, they argue that the stabilization of markets would give farmers greater certainty and encourage investment in technological improvement.

Not everyone, however, is willing to discard the possibility of adjusting production by regulating the use of land. Some would argue, rather, that we just have not gone about this in the right way or carried it far enough. The way to take land out of production is not by prorating acreage farm by farm, crop by crop, and year by year. Rather, the government should rent or buy land or otherwise regulate its use in accordance with a long-range plan.

This approach, likewise, has historic roots. The most recent experiment with it is, of course, the Soil Bank. But the approach should not be written off too lightly on the basis of current disappointment with this particular program. If we accept the premise that for all our technological progress, population will eventually press against our land resources, we can make a good argument that the government has a duty to conserve and develop these resources, mindful of the welfare of our grandchildren—not to mention the need for reserve productivity capacity to meet possible emergencies.

This approach has particular appeal to the conservation minded and those who think of natural resources as a public heritage to be publicly husbanded. Such people are alarmed at the squandering of resources in the name of economic growth. They suggest that we recall the Dust Bowl. They argue for sacrificing some current output in the interests of longer-range growth potential.

This approach receives incidental support from those who believe that in a society as affluent as ours continued growth is going to require a shift toward more of the goods and services that are best provided socially rather than privately—including more parks and rural recreation areas.

A substantial program of retiring land or shifting it to less intensive uses could be costly to the government. Yet quite a few acres could be diverted with the sums annually being spent on present price-support and storage programs. Advocates of such an approach would justify the current costs in terms of longer-range growth possibilities, viewed in a broader perspective than that of merely the immediate farm problem.

The approaches we have discussed so far are designed to shrink the supply of farm products to match the demand. The logical converse is to increase demand to match supply. This approach had considerable currency during the depression, when underconsumption was an obvious problem. It led to programs for distributing free food to the needy, to the Food Stamp Plan, and to the School Lunch Program. Some free food distribution is still carried on, and the School Lunch Program has become accepted as a permanent institution. Since the war, however, so few people have been too poor to buy food that large-scale domestic consumption subsidies have little appeal. The nutritionists, who once took considerable interest in such programs, are nowadays more concerned with people being overfed.

But if domestic needs are being met, what about starvation abroad? Many other countries have large unmet needs for food, and we have developed substantial programs for foreign surplus disposal. Unfortunately, such measures involve numerous complications not at once apparent to those who see only surpluses here and hunger there. Problems arise with recipient countries regarding the terms on which surplus foods are furnished: What controls are needed to make sure that supplies are used for the intended purpose, and that they are not substituted for food that would otherwise be purchased through commercial channels? Related questions are raised by other exporting countries, who fear that our surplus disposal impinges upon their markets.

Recipient countries, on their part, are concerned that food grants or special sales fit in with their own longer-range development programs. They understandably do not wish to become reliant upon supplies that depend upon the year-to-year whims of generosity of another country. This raises for us questions of longer-range commitment. Granted that we face a chronic surplus problem, how far are we willing to go in guaranteeing to make food available overseas for an extended period of years, and on what terms?

Considerable ingenuity has gone into devising ways of dealing with such problems, and particularly for making food an integral

part of aid to economic growth in underdeveloped countries. But foreign disposals still make but a small dent in our domestic surpluses.

Meanwhile, considerable effort goes into both domestic and foreign programs to improve commercial markets. This effort has two aspects. One is making marketing more efficient. This has its own historic origin. We used to be concerned with "what goes on in the dark" in the marketing process between farmer and consumer. Research has indicated that this is not so much a matter of exploitation by monopolistic middlemen, as we once believed, but more a matter of backwardness and inefficiency in the operation of our complex marketing system.

We have done a good deal toward remedying various inefficiencies through marketing research and extension. Given competitive markets, the benefits of this improvement are bound to be passed on to both producers and consumers. But in a buyers' market the terms of trade favor the latter.

The other aspect of marketing programs is the expansion of demand through education, advertising, and promotion. In extreme form, this is based on the premise that if farm products could be sold as aggressively as, say, automobiles we would have no surpluses. This is not to argue that salesmanship could have persuaded consumers to eat all the bread that could have been baked from our surplus wheat. But with proper "upgrading of diets," they could be persuaded to eat, in the form of animal products, the output from the farm resources that go into producing surplus wheat. The problem is not one of enlarging the human stomach, but of filling stomachs of present size with foods that require more farm resources per pound to produce.

The effects of our programs to improve markets are actually difficult to measure. Obviously, the level of postwar efforts along these lines has not prevented the accumulation of surpluses, as some hoped that it might. It is hard to believe that even a much greater marketing effort would enable demand to keep pace with our technological progress in farm production. We can make a plausible argument, however, that farm incomes have been higher than they would otherwise have been.

Improving marketing efficiency, in any event, certainly contributes to economic growth—especially when marketing costs now take half the consumer's dollar. If we can justify, in the name of economic growth, spending a rapidly increasing share of the

nation's productive resources in expanding consumption, promoting higher standards of food consumption would seem entitled to share in the process.

CONCLUSION

I have reviewed, quite sketchily, a number of main approaches to the domestic farm problem. I have purposely avoided attaching names to them, for few persons in "real life," as we say, advocate any one of these approaches to the exclusion of all others. My descriptions are stereotypes.

I have not mentioned numerous variants and combinations of these approaches—two-price and multiple-price plans, for example, or wider use of marketing agreements or other commodity-by-commodity "self help" plans, or the much debated role of contract farming and the integration of production and marketing, or promoting the use of farm products as industrial raw materials.

Nor have I discussed the notion that if too rapid technological progress is the cause of agricultural distress we should turn off the stream of new technology. This is clearly an "anti-growth" proposal, but I do not think it could be done anyway.

Also I have dealt only with long-range approaches and have not discussed proposals for dealing with the surplus stocks on hand—for example, giving them back to farmers in return for taking a production holiday.

I have likewise ignored programs of rural industrialization and community development—an approach that could have important implications for economic growth, but that is most often thought of as attacking the separate problem of low income of sub-commercial farmers, rather than that of commercial agriculture.

However, I have said enough, perhaps, to suggest that we are not without ideas on what to do about the farm problem, and that the various proposals can in varying degrees be reconciled with the objective of economic growth. The difficulty is not lack of proposals—only that all the proposed solutions have their unattractive as well as their attractive aspects.

In closing, I should like to mention one further approach, or perhaps an attitude, toward the problem—an attitude that in extreme form is sometimes called Agricultural Fundamentalism. I have in mind the view that unique virtues are attached to the old-fashioned family farm—in farming as a way of life—that we

must cling to and preserve at all costs, for the salvation of our whole democratic society.

The name of Thomas Jefferson is commonly mentioned in this cause. But it is not uniquely an American point of view. The sturdy tillers of the soil are eulogized in the poetry of many nations. I am told that some European countries, and even some of the underdeveloped countries in other parts of the globe, are struggling to find ways of modernizing agriculture that nevertheless preserve certain of its traditional social values.

This is a viewpoint that, if it does not deny the objective of economic growth, at least questions whether all the things that are justified in its name are necessarily best for mankind. Progress and efficiency as values can be ruthless in submerging other values. Should we not consider more carefully whether they take us in all cases in the directions in which we want to go—rather than pursue them willy-nilly? In the last analysis, what is the good life, and how is it attained?

In greater or less degree, this attitude—or sentiment, if you prefer—tinges the thinking of most of us here today. Most of us are willing ourselves to pay, and to have others in our affluent society pay, a little more for food or a little more in taxes to temper the winds of progress if our farm people find these winds more bitter than they can bear.

To an extent, this attitude underlies our admission of a farm problem in the first place and our concern with measures to alleviate it.

PART II

*The Farm Problem—
What Are the Choices?*

