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THE AMBIVALENT LOGIC OF AGRICULTURAL CONTROL IN THE UNITED STATES

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I TAKE it that the programme makers of this Conference thought it important that we in the United States should at this time review own own thinking as to national agricultural policies and practices and put this analysis over against the thinking and the programmes of those in other countries who have been confronted by more or less similar problems. The title as phrased in the letter inviting me to appear on your programme was 'The Logic of National Policies for the Promotion or Regulation of Agricultural Production'. I have availed myself of a speaker's privilege to rephrase the title. I have intended in this rephrasing to preserve fully the spirit and general objective of your programme makers. But at the same time, I have thought certain modifications in the title would indicate a little more clearly my line of attack and the scope of my analysis. I cannot do better, it seems to me, than begin my remarks by explaining just how I undertook to circumscribe in one direction and to expand in another direction the title as originally proposed by your committee.

First, then, it seemed to me much too ambitious for me to undertake to expound in any authoritative way *the* logic of national policies to control or direct the agricultural industry of a country—any country and at all times. As an economist, I am not very favourably inclined to the idea of a 'general theory' for any phase of economic life. I shall therefore limit my remarks exclusively to agricultural policy and practice in the United States and primarily to the character and trend of our economic thinking during the last three or four decades.

With my topic thus narrowed in time and space, I then proceed to broaden it a bit as to its functional coverage. The proposed topic mentioned 'National Policies for the Promotion or Regulation of Agricultural Production'. I feel, however, that agricultural production, agricultural distribution, agricultural finance, and farm-family consumption constitute, in a famous American phrase, 'a seamless web'. I have never made any pretensions to being a 'production economist', but for some years specialized in the field of distributive institutions and practices, rural and urban, as they affect the farmers' real income. I have been concerned with the prices and income relations of agriculture as an interrelated segment of the total economy and, most recently, in the problems of keeping that economy functioning at a sustained high level of activity and efficiency like the full employment policy we discussed here the other day. That means realizing as fully as we may the great objectives enunciated in the Employment Act of 1946.

Since I did not want my title to run as long as that of a doctor's dissertation, I have condensed all these facets of national policy with reference to the economic phase of agriculture into the phrase, 'Agricultural Control in the United States'. This does not mean merely restraint, stimulus, and direction by official government agencies. It means rather the economic organization of the agricultural process through public and private units—some large, some small. It embraces a set of business institutions, evolved and still evolving out of practical experience; a set of more or less settled and accepted practices of working with and through these institutions; and, finally, the self-control of individuals who, under a system of basic voluntarism, joined with necessary discipline, make the managerial and domestic choices for the rural segment of our society.

It seems to me necessary to make some such statement of the concept of workable control or organizational efficiency in a free society before I can explain properly the significance of the final qualifying word which I have introduced into my title. This word is 'ambivalent'. If my remarks are to give our members from overseas any real insight into the agricultural life of the United States and perhaps contribute a little to better mutual understanding among our American brethren, it seems to me we must begin by clearly recognizing that there are two definitely divergent, somewhat competitive but—let us hope—ultimately complementary, philosophies of how the agricultural industry of the United States can perform its distinctive functions most efficiently as a segment of our total economy.

On the one hand, we have the logic of economic individualism, embodied in the family unit of economic functioning and the repudiation of governmental direction or artificial inducement in the affairs of agricultural business life. On the other hand, we have the logic of government responsibility for assuring a satisfactory level of farm incomes. This involves, first, the erection by Government of productive and distributive structures and practices that would regulate or heavily condition the individual farmer's business activities in conformity with a pattern of economic security and, second, acceptance by the farmer of this guided way of economic life in lieu of the more venturesome but less secure pattern of life enjoyed or endured by his fathers.

I shall begin by examining the logic of the system of individual enterprise which has been traditional in the United States and is still given lip-service by all and true devotion by many as 'the American way of life'.

The logic of managerial freedom. The outstanding feature of the traditional pattern of farm life in the United States is that it was, up to about twenty years ago, as comprehensive and consistent a system of free enterprise as existed anywhere or that could well be imagined. This does not mean that it has been pure and unadulterated economic *laissez-faire* but rather that it has been characterized by almost complete managerial freedom. Freedom of action of the family-farm proprietor in moving wherever he liked, buying whatever equipment and supplies he thought needful and could afford, producing whatever seemed most promising, and selling his produce wherever and however he could net the 'high dollar'—these features made up its essential pattern. In order to make this way of life most productive, in the interest both of farm producer and town consumer, Government has, however, been active in many ways. In the cogent phrase of John D. Black, this system has been one of 'assisted *laissez-faire*'.

The first principle of this system is that individual farmers should have easy access to lands suitable for agricultural use and that ownership should be in fee simple. To enlarge this supply of land for the individual proprietor or to improve the usability of lands already appropriated, Government has stepped in with a variety of reclamation works—some large, some small; some Federal, some local—designed to furnish irrigation or drainage or a combination of both.

In order to facilitate farm production and to ameliorate rural life, public moneys have been spent, often disproportionately, to enlarge the highway network to include farm-to-market roads suitable to an automobile age and to provide rural free delivery of both mail and express.

Likewise in the interest of making the farm both a more efficient place to work and a more pleasant place to live, Government has progressively provided for the widespread distribution of electricity for light and power and of telephone service for business and pleasure to farmers who elected to settle and work in areas so remote or so thinly populated that private enterprise was not, at the given time, ready to extend them these services on a commercial basis. It is now estimated that 85 per cent. of our family farms have been enabled to avail themselves of the choice of electricity, nearly 40 per cent. have telephone service available, and practically any farm family can get rural free delivery of mail and parcel post by merely erecting a standard box. One might also say something of the schools and their bus services, especially in sparsely populated areas.

A fourth feature of our system by which managerial freedom was preserved by helping it to rise to a high level of efficiency was through an elaborate system of educational aids. This educational and research complement of the individual proprietor's traditional technique began with the agricultural college almost 100 years ago. It expanded into a system of forty-eight agricultural experiment stations, flexibly co-ordinated through a Federal office, a far-flung system of extension specialists, scientific and practical agricultural curriculums in the high school, boys' and girls' farm clubs, and local adult study groups, Farm Bureau, and other. All this is to the end of making factual information constantly available and of giving the farmer better analytical tools for using it in his business decisions. Advice is available if it is sought, but control or even constraint are no part of this picture.

Fifth, we may mention the development of government standards —as to grade, as to package, and as to trade practices. By them the individual farmer is protected against exploitation and helped to continue, as an independent proprietor, to choose freely among processors, commercial dealers, and other distributive agents according to his own judgement or convenience. The establishing of these standards constrains his own action only to the extent that it prevents him from indulging either in careless or in fraudulent practices which would demonstrably harm the consumer, the distributor, or his fellow producers—eventually himself in the collective sense. He is not free to follow the line of managerial freedom to an extreme which infringes the rights of his neighbours or jeopardizes the welfare of the community. Weed control, the compulsory vaccination of animals, sanitary standards of dairy production, and uniform spraying of fruit trees are convenient illustrations. And there have been some quite successful movements toward voluntary limitation of private productive efforts by standardizing breeds or types of livestock, field crops, or horticultural products.

Sixth, during the last three decades, the efficiency and security of the individual farm manager has been strongly bulwarked through the very marked improvement of our credit institutions in their rural department. The long-term amortized mortgage at rates as low as are consistent with the general money market and the comparable provision of short-term production and marketing credit have given the farmer access to the sources of capital in ways that are essential to the full and efficient exercise of his managerial freedom.

Finally, in spite of the inherently small-scale character of farming, the development of the institution of the co-operative association under legislative sponsorship has enabled farmers to secure group or large-unit efficiency in the performance of many functions of the farm without sacrificing basic freedom of managerial choice. In the agricultural depression of the 20's, efforts were made to give national co-operative associations a monopoloid character which would make them a positive factor in determining the level of farm commodity prices.

These seven features cover—I think with essential accuracy and completeness—the economic pattern of agriculture which had evolved in the United States up to the end of World War I. It had by no means kept the pioneers from privation. It had not given rural people a protective armour against any exploitation by industrial, commercial, and financial groups as the latter from time to time developed new power devices of their own. Nor had it provided an economic stabilization mechanism against cyclical depressions following war or breakdown stemming from some other cause. By the 1920's public opinion was ready to make a break with the old logic of institutional voluntarism for agriculture and to seek to develop a new way of economic life so basically different that in the historic perspective of today it seems fair to call it revolutionary.

From voluntarism to central planning. The new philosophy of economic life which from 1921 forward has commanded the allegiance of an increasingly potent ideological group in American agriculture and in American society as a whole is based on the proposition that locally autonomous solutions of managerial problems cannot, in the nature of the case, add up to a solution correct in the aggregate. It proposes, therefore, to start at the other end of the line by computing national aggregates (within the international setting) and then devising an administrative machinery which shall be effective in breaking these aggregates down to individual farm components without infringing unduly our traditional sense of personal freedom.

It was the reaching of an apparent ceiling on the ability of individual proprietorship, even voluntarily associated in co-operative organizations, to be effective at the point where the market mechanism affects the determination of prices, that led—twenty-three years ago—to the adumbration of a logic of government control within the agricultural industry distinctly at variance with the American farm system up to that time. With the accumulation of these two decades and more of practical experience with a system of positive regulation for the agricultural industry, it should be possible now to set forth with some clarity the logic upon which it proceeds and to compare it with the logic of the older, looser system. We need to reach a reasoned basis for concluding that such positive control presents a better logic for the rural economy or that, for us and our times, it presents a less convincing logic.

To such an end we must first set out the basic thesis of the central-direction theory. Since it did not propose to uproot the old practice of family-farm management and supersede it with a wholly different pattern of collective farms, we need to see step by step how the new aggregate approach was added to the older disparate practice.

The decade 1922–32 was a transition period of great historic importance in the history of American agriculture. The drastic conditions of a severe and persistent agricultural depression persuaded many farmers that managerial freedom within a setting of facilitating institutions—educational, advisory, credit-supplying, and market-improving—was not adequate to meet their needs. They read the history of their times as indicating that they could not prosper except as they gained control of aggregate supply and manipulated it to get significantly higher net prices for the products they sold and/or sufficiently lower prices for the things farmers buy so that their real income position would be materially improved. They sought a way to organize their group power against the organized power of marketing agencies, processors of farm products, and the manufacturers and merchandisers of farm equipment, supplies, and services.

The first small step in this direction was taken through the formation of central co-operative associations. The logic of the earlier local and overhead co-ops was that they should improve the economic process of adjustment of local supply conditions to general demand and should interpret general and special demand situations to producers of the various commodities. That is, like the independent farm manager, they sought to perfect rather than to supplant the apparatus of the autonomous commercial market as the mechanism for distributing the income stream and guiding the productive process. In time—and more actively during the years after World War I and before the Agricultural Marketing Act of 1929—federated or centralized co-operative associations undertook to perform not merely the current adjustment of supplies to competitive demands but sought also to equalize supplies between producing years under a more ambitious interpretation of the concept of 'orderly marketing'.

At this point we see the allegiance of American agriculture to the doctrine of managerial individualism giving way to a new faith in the efficacy of a larger plan of organization in which the individual farmer would be a compliant part. The word compliance came into our farm vocabulary about that time. The 'commodity marketing' associations of the 20's undertook to pool the selling operations of considerable groups of producers, who made firm and legally enforceable contracts for the exclusive distributive service of the overhead marketing agency. These agencies sought to administer or manipulate the total supply to the greatest advantage of the group and to have all members or all of a particular category of members share equally in the return rather than have their receipts differentiated according to individual luck, shrewdness, or strategic position. Generally speaking, also, these large co-operatives expected to derive some market advantage from the building up of a monopoloid position in the market. Almost never did they acquire or seek to exercise quantitative control of supplies, though they did develop qualitative regulations which might limit total market supply or limit supplies in particular segments of the market through grade or delivery-time regulations.

By 1929, farm demands and public acceptance moved a step farther. In the Agricultural Marketing Act of that year a distinctive change was introduced into our agricultural institutions. Its logic rested on the premiss that it was desirable to have a larger scheme of 'orderly marketing' or supply equalization, both areal and temporal, than any contemplated or attainable by private co-operatives. Thus the Federal Government undertook to carry the national surplus in several major products and to administer it under an eight-man board of economic strategy—the Federal Farm Board.

The Agricultural Marketing Act certainly did not mark the end of the period of assisted *laissez-faire*. A major portion of American agriculture followed and still follows the pattern of independent managerial decision, with voluntary use of privately organized commercial and financial facilities, of co-operative facilities under its own control, or of government facilities in a few limited fields. It continues also to exercise this free choice of activities and use of facilities under the advisory educational guidance of a competent and comprehensive system of agricultural education and research.

The Farm Board episode did, however, represent a quite novel extension of the Federal Government into a central operative role rather than the decentralized advisory and facilitating role of service to the independent *entrepreneur*. What is most important, however, is the fact that the Farm Board experience itself became the most important factor in causing the Federal Government to take the next and more momentous step of linking control of market supplies with control of farm production. As the depression of the early 30's continued, the Federal Farm Board found its ability to sustain prices through storage and diversion operations quite inadequate in the face of the continuing weakness in consumer demand due to industrial depression. In the Board's third annual report (December 1932) a section entitled 'Surplus Control Methods' closed with the following comment:

> Experience with Stabilization thus demonstrates that no measure for improving the price of farm products other than increasing the demand of consumers can be effective over a period of years unless it provides a more definite control of production than has been achieved so far. In a few limited and specialized lines, co-operative associations have made progress toward such control. For the great staple products, however, the problem still remains for future solution.

Within less than six months Congress had enacted the first Agricultural Adjustment Act. In it the Federal Government boldly accepted the responsibility for setting production totals of staple farm products and administering a series of devices designed to cause the individual farmer to have his productive and marketing operations become a consistent part of this national managerial plan rather than to be guided merely by his personal preferences and judgement. During the nineteen years since that time a series of Agricultural Adjustments Acts, Marketing Agreement Acts, Conservation and Domestic Allotment Acts have sought to perfect a system of governmental gauging of farm supplies to market demand at a defined price level or, to a limited extent, a desired income level.

The advent of the Agricultural Adjustment Administration, followed by the Production and Marketing Administration, represents an acceptance in a major segment of our economy of the logic of national economic and social planning, or in the new jargon, the macro-economic approach. It is not authoritarian planning such as we see in Communist countries or even socialist planning such as the Labour Government of Great Britain has been toying with. It is democratic planning, in which the machinery of representative government can be used to experiment with new forms of economic organization and, in the light of experience, to introduce perfecting amendments into that organization. It differs distinctively, however, from the traditional American system in that it moves from decentralized educational planning to Centralized Plan Economy, a considerable but by no means complete or coercive control. Once a Congressional majority has enacted a law and participating farmers have by majority vote decided to pursue a common objective through, let us say, acreage allotments or marketing quotas, it becomes incumbent on the individual farmer to comply rather than be guided by his own managerial discretion. Furthermore, the producing group is constrained by financial rewards and penalties to vote themselves into the control scheme.

The governmental control system for agriculture as it has evolved under a series of statutes beginning in 1929 has three general aspects: first, it undertakes through loan, purchase, storage, and diversion operation to remove from the market, temporarily or permanently, supplies of farm commodities whose pressures hold prices below some predetermined level; second, it stimulates productive effort by the naming of volume and price goals, or restricts production by naming lower goals, by withdrawing price supports, or by imposing acreage allotments to the end that prices shall be sustained; third, it provides for payment of direct or indirect cash subsidies to raise the level of farm income when payment by the market is, by some official standard, insufficient. Such subsidies have gone sometimes to the producer direct and sometimes to him indirectly through processors, distributors, or consumers.

All these programmes of centrally planned agricultural supply have had one goal in common with the older system of favourably-conditioned voluntarism. That is, they have been designed to improve the material position of the farmer. There are, however, marked differences in the way in which the objective has been defined and in the means that have been adopted for reaching it. Under the older system, the objective was to give farmers the best possible facilities for putting themselves in as favourable an income position as possible as parts of a self-sustaining structure of prices, farm and non-farm. Under the newer system, a price or income target is set under some kind of ethical standard, and Government undertakes either to adapt farm operations to the attainment of this figure or to make payments that bring about the stipulated income without adjusting the farmer's operations. As to method, the older system relied on the educational process and complete flexibility of 'spot' adjustment by the administrator of each firm. The new system starts with a legislatively set formula of over-all distributive relationships (amended from time to time), provides a legal apparatus of supply controls for reaching or approaching that relationship, and confers administrative discretion on a Federal executive agency for interpreting the formula and invoking the controls (subject to some referendum).

Now, within the rich variety of human behaviour many different patterns of economic organization are workable. But the change in basic logic which has here taken place is so fundamental that we need to face frankly the question whether we will follow the new lead or whether known economic (and political) principles raise warnings, and counsel return to a less controlled or differently guided system.

Criteria and evaluation. As economists we are professionally committed to one criterion—that of efficiency or of getting the maximum amount of material return from the use of given, i.e. limited, resources. It is sometimes said that as social scientists we must subordinate this materialistic objective to another objective that lies deep in our *mores* and, indeed, in our human constitution. That is the insistent demand for freedom. We demand the most efficient economic order that we can have without sacrifice of the freedom of the individual. Since anarchy and efficient economic organization are inconsistent concepts this premiss of 'freedom' must obviously mean *reasonable* freedom. Or we may state our criterion as maximum efficiency of the productive process without *undue* loss of individual freedom.

I shall not attempt to argue a 'rule of reason' for economic freedom. Nor do I admit that this is an intellectual booby trap and that there is an inherent conflict between freedom and efficiency. It is the major premiss of our intellectual world that freedom of self-expression is the fountain source of progress or rising efficiency. The minor premiss is that the free individual must for his own interest as well as society's interest express an informed self through orderly and peaceful channels. This is the basis of our reliance on a system of universal education and our basic rejection of indoctrination and the centralization of decision-making.

With the criterion of economic freedom thus reconciled with, or indeed absorbed into, the criterion of economic efficiency we may proceed to the task of evaluation of recent trends in our American agriculture by asking the simple question: Do these developments towards greater government intervention in the operative processes of agriculture make for higher efficiency and surer progress? In the light of my previous description of how these controls modify the old system of proprietary management, we may put the issue in two parts. The first concerns the technological significance of the change.

The second concerns the more subtle question of the price system under which our economic actions are organized and conducted.

The two questions may be stated thus:

I. Will the aggregative approach to rational guidance of agriculture bring about better allocation of resources within agriculture and between agriculture and other uses, and promote sustained high general productive activity?

II. Will the centrally determined (or formula) allocation of the farmers' part of the national-income stream produce a better maintained and more technically correct expression of the great economic motive forces, to wit, the propensity to produce, the propensity to spend, and the propensity to save-invest?

You may feel that these two issues should have been stated as affirmative propositions in my introductory paragraphs rather than being posed as questions now and that I should then have proceeded to a powerful argument in support of an affirmative answer—or perhaps a negative one. Personally, however, I am neither a master nor an admirer of that sort of dialectic. I believe it is necessary to see in perspective the way in which a new element has been introduced in the evolution of our institutions and our group behaviour if we are to judge whether the newer logic will supplant the old or will prove to be but a passing experiment.

In this context, then, I will give a quite categorical answer to the questions as I have set them up and my prognostication as to the future course of American farm policy and practice. I answer both questions in the negative. Merely stating the premisses from which I arrive at these conclusions will, no doubt, start off a spirited discussion, and such discussion is the major value of these sessions. In spite of my conclusion that the macrocosmic factor in farm management which has been introduced through the last twenty-odd years of agricultural legislation constitutes retrogression rather than progress, my prognostication is that it will persist for the discernible future.

Turning to the first question, I need do no more than make explicit what was implicit in my earlier statement of the logic of central control or implemented planning. The nature of operative business and in a special sense the operative problems of farming are such that the individual manager is the best, indeed the only adequately informed and competent, judge of what will constitute the best use of resources available to him in the actual situations to which the decisions and the subsequent operations apply. This is not to deny the very great usefulness of projections made or models built by competent technicians on the basis of such knowledge as is available long in advance of the time of local action. Such estimates and blueprints can take a broader view of national and world affairs and of contributory conditions than the farmer or any local agency can. Such policy analysis and hypothetical projection have been advanced to a high state of competence under our Agricultural Outlook procedures in this country and can go to continued and enlarging usefulness. But when these hypothetical projections become the basis for a control formula to which implementing devices are geared for a season or even a longer period in advance, they impede rather than promote a functionally correct allocation of resources.

The second issue is, of course, linked to the first since the promotion, restriction, or redirection of agricultural supply is not effected by ukase or by actual government operation in this country but through governmental intervention in the income process either through prices or through subventions related to supply operations. Abraham Lincoln argued the proposition that you cannot have a country half slave and half free. Experience indicates that the same proposition applies to a price system. When Government intervenes to set certain prices, it disturbs a set of cost, profit, capital-forming, and spending relationships which must then be compensated or the economic process is thrown into disorder and its efficiency impaired. These changes are too complex and subtle to be comprehended in their entirety or reduced to any formula. The very idea of a formula stultifies the need in a dynamic system for universal and constant flexibility which is the essence of market guidance.

We could even concede the conceptual possibility of a formulation which would make all these relationships definite and consistent. But its rationale would be some ethical or aesthetic absolute. As such, there is no assurance that it would evoke the response or furnish the motivation to the various spenders, producers, and savers that would cause the economic process to go forward most effectively. Even the scanty evidence that seeps around or under the Iron Curtain gives abundant evidence of that fact. A market system must by its fundamental nature be pragmatic, not categorical.

But there is a third difficulty in the way of the formula approach to price-making or distributive intervention by Government. It is the assumption of economic planners that the apparatus of formula-making shall be in the hands of technicians whose competence is adequate to the task. In fact, however, when the issue of farm prices and incomes is withdrawn from the economic process or suffrage of the market and transferred to the political process or suffrage of the legislative and party system the technician is forced into a back seat. In the present situation in the United States, in which farm-State Senators hold the balance of power in Congress and the rural vote holds the balance of power in Presidential elections, and with the philosophy of power struggling between interest groups so strongly established, it seems certain that the price and income adjustments written into laws or administrative orders will show little conformity to the findings of technicians even under an aggregative planning concept. The more reliance we place on this approach under these conditions, the greater its powers of mischief.

This proposition reveals the basis for my *obiter dictum* that, whatever the theoretical arguments against government intervention in supply determination as a means to price or income adjustment, we shall not soon reverse the steps we have taken in this direction during the last quarter century. The practical problem for the agricultural economist, therefore, is to make it as little harmful as possible.

(The discussion of Dr. Nourse's paper, together with that of Mr. Lloyd's which follows, will be found on page 547.)