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U.S. AGRICULTURAL SUBSIDY POLICY AND
PROGRAMS

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CHAPTER I

Introduction

Since the days of the farm depression of the 1920's and the Great Depression of the 1930's literally millions of American farms have vanished, swallowed up by a decreasing number of ever-larger farming operations. Between 1950 and 1969 alone one million farms disappeared from the scene leaving the remaining 3 million farms 30 percent larger on the average than before.¹ The advent of agricultural modernization and mechanization is credited as the primary factor in producing this decrease of the number of farms and farmers as American agriculture shifted from a labor-intensive to a capital-intensive industry. The generally unchallenged assumption has been that by encouraging the development of a system of predominately large-scale farming the remaining farmers would enjoy a much improved standard of living, while as a result of the economies of scale concomitant with large-scale agriculture, those citizens who have been "freed" from the burden of working the land would benefit from a plentiful supply of cheap food.

In some ways this scenerio has become a reality, for as the current Secretary of Agriculture, Earl Butz, is fond of repeating, the proportion of the average American consumer's spendable income going for the purchase of food is both smaller

than in years past and smaller than in any other nation. Also there can be little doubt that those farmers who have managed to consolidate large-scale farming operations have greatly increased their incomes. The dimension of this change is demonstrated by the fact that by 1969 those farms with annual sales of \$40,000 or more, while constituting only 7.1 percent of the total number of farms, garnered 51.3 percent of the total yearly farm sales.²

However this steady trend toward the reduction of the number of smaller and middle-sized farms fostered in pursuit of a narrowly defined concept of economic "efficiency" has also brought with it significant dysfunctional social consequences. The first and most direct recipients of the negative effects of the modernized agricultural economy, which in order to continue to flourish must depend on a seemingly endless process of economic cannibalism, have been a sizeable portion of the citizens of the rural areas themselves.

Some farmers confronted by the seemingly irresistible trend toward the concentration of ownership of the means for producing agricultural commodities have retreated into a substandard lifestyle in order to maintain their place on the land. Some, in an attempt to offset the technical productivity advantage enjoyed by large-scale, highly mechanized farming operations, have continually increased the number of hours they work and the intensity of their efforts. The potential for salvation offered by this

method is certainly limited by constraints of human endurance as well as the fact that by embarking on such a path the farmer reduces his compensation per unit of effective and productive effort expended.³ Other rural inhabitants have remained on the land as salaried workers or managers on some of the larger farms, but numbers which can be absorbed in this way are relatively small. But most small-scale farmers, cognizant of their anachronistic position have taken every opportunity to encourage their children to seek elsewhere for their futures.

Still other rural citizens have sought compromise between their predilection for life in rural areas and the desire for economic security by moving to the small rural towns and cities which dot the countryside there to become involved usually in commercial, service, or educational enterprises. The problem cannot really be escaped here though. For as consequence of the functional dependence of their infrastructures upon a well dispersed agricultural system most small and many middle-sized rural towns and cities are gradually "dying".

By far the greatest proportion of rural people uprooted by the process of agricultural modernization have chosen to migrate to the nation's urban areas in hopes of better lives. Many of the poorest and most undereducated of this segment of society have been included in this mass population transfer. Since 1940 twenty million people have moved from farms to the city and among them have been approximately

four million blacks mostly from the cotton and tobacco producing regions of the South.⁴ As this depopulation of rural America continues we are currently at a point where 70 percent of the population is concentrated on 2 percent of the nation's total land area.⁵ The social, economic, and political problems associated with this urban overcrowding are well known. For example, welfare rolls continue to grow as former economically deprived and poorly educated rural residents and their offspring are unable to gain entry in significant numbers into the mainstream of the urban economy. Conditions in many cities where these people are concentrated periodically threaten a recurrence of the nightmare of Watts, Detroit, and Newark. Urban crime statistics continue to be of alarming dimensions. Central City educational institutions also continue to deteriorate as well.

Thus there would seem to exist a more-than-adequate justification for re-examining the values and assumptions upon which agricultural modernization has proceeded in the U.S. More specifically, there is a need to study closely those aspects of public policy which have fostered this process. This task will lead in many directions and will not be accomplished in a short time. Nevertheless the effort must be made to determine which of these policies are genuinely serving the public interest. Where the results of in-depth empirical examination show that they are not, action should be taken in an attempt to implement workable reforms.

Before such studies can be effectively undertaken however, we must first familiarize ourselves with the character and significant impacts of the major present-day public agricultural policies. The purpose of this paper is to examine the origins, development over time, and the pattern of economic benefit distribution of one such policy. This program, the agricultural subsidy program, has not only been shaped by the process of agricultural modernization-mechanization but because of the inequality built into its system of benefit distribution has continued to be a trenchant factor in the perpetuation of the pattern of rural dislocation which has accompanied it. It is the belief of the author that the inception and development of this program by virtue of its being the first major direct intervention of the federal government into agriculture set the tone for much of the subsequently developed agricultural public policy. Thus by acquainting oneself with the evolution of this program one is enabled not only to gain an understanding of the substantive character of the agricultural subsidy program, but also to lay a foundation of knowledge from which meaningful study of other agricultural-related public policy may be launched.

Before pursuing the substantive thrust of this study an attempt should be made to formulate satisfactory answers for two questions which are of more than peripheral import. First, "Why should the political science discipline concern itself with the analysis of public policy?" While answers to this question may seem self-evident to many, they are worth explicating for the reader who may be unfamiliar with the dimensions of "policy

studies" which in the behavioralist-dominated era since World War II, have only recently begun to regain recognition as a legitimate and distinct sub-fields of the political science discipline. The second question is this: "For what special reasons are farm subsidy programs in need of study by political scientists, particularly as opposed to the members of disciplines such as economics which are conventionally viewed as much more clearly concerned with this subject?"

Rationale For Policy Analysis

Two noted scholars, Austin Ranney and Thomas Dye, have developed in separate books very similar arguments favoring the study of public policy by political scientists. These arguments which may be classified in three main categories--scientific, professional, and political--are worth considering in summary.⁶ First they contend that public policy should be studied for scientific reasons to develop a clearer understanding of the causes and impacts of public policy decisions in a manner which will improve the quality of knowledge about society generally. One may choose to view public policy as a dependent variable and attempt to discern the environmental forces or political system characteristics which act to determine the nature and extent of public policy. Or conversely one may also look upon public policy as an independent variable and then work to determine the effects of public policy on the environment and the political system. Through such attempts great improvements of knowledge may be attained regarding the linkages between environmental forces, the political process, and public policy. This knowledge may in turn

increase the breadth, reliability, and theoretical development of the social sciences.

According to Ranney and Dye public policy should also be studied for professional reasons because a broad knowledge of the causes and impacts of public policy can make it possible to apply the results of social science research to practical political problems. If certain end values or results are desired by a political agency, group, or organization, the question of which type of policy would most effectively achieve these ends is often to varying degrees, basically factual in nature and can be at least partially resolved through the employment of empirical analysis. Empirical study can also provide answers in reverse situations where environmental forces or political system characteristics would best facilitate the development of these policies. Thus policy analysis appears to hold a real potential for yielding more reliable professional advice or for enhancing practical expertise through the development of modified "cause and effect" or "if-then" statements about how to most expeditiously achieve desired political goals.

The argument that public policy should be studied for political reasons is only grudgingly articulated by Austin Ranney. Thomas Dye however presents a favorable elaboration of this point. Dye asserts that public policy should be studied for political reasons to insure that the nation's political organizations and institutions adopt the "right" policies designed to attain the "right" objectives. He makes explicit his awareness of the very subjective nature of this contention but points out that while

Americans often disagree about what are "right" policies or goals, one can presumably find popular acceptance of the notion that knowledge is preferable to ignorance even in the field of practical political decision-making. Dye further supports his position with an admonition to his colleagues that in these times of worsening social problems and increasing political tension the political science discipline will become increasingly vulnerable to accusations of dryness, irrelevance, and even amorality if it does not begin to devote more effort to the empirical study of important policy questions.

Although the three-part justification for devoting greater political research effort to the study of public policy is well organized in a neatly compartmentalized package it could have been stated in more direct terms. Karl Deutsch refers to a generally accepted definition of politics which states that politics is the process by which values-- things or relationships which people would like to have or enjoy-- are allocated in society in an authoritative and legitimate manner.⁷ Another eminent political scientist, Harold Lasswell, earlier has emphasized the allocative and distributive nature of politics in his influential work, Politics: Who Gets What, When, How?

When these sorts of definitional ideas about politics are coupled with a cogent description of public policy such as the one framed by David Easton --the authoritative allocation by the government of values for the whole society⁸-- the conclusion that political science must devote significant amounts of direct attention to the study of public policy is logically inescapable.

For if public policy is not the essence of the political process as Easton implies it is nevertheless one of its most important elements. If one can be so bold as to assume that politics is indeed the subject of political science inquiry, the discipline if it is to retain its identity as a credible member of the social science community can ill afford to ignore or even slight such a salient socio-political variable as public policy.

Rationale For Analysis of the Subsidy Program

The question of why political scientists should concern themselves with studying farm subsidy programs, which have heretofore been considered by most scholars and policymakers as the exclusive domain of economists can be approached in an equally direct manner. While it is true that farm subsidy programs have been the recipients of numerous thorough and valuable studies by economists, it remains the case that due to disciplinary restraints which focus attention on the collection and analysis of strictly fiscal data, economists have provided very little information explaining the socio-political causes and effects of these programs. The dearth of such socio-political knowledge has often resulted in the acceptance by policy-makers and subsequent processing of only those demands for changes in farm subsidy programs which made sense within the narrowest limits of cost-benefit analysis. The social consequences of this process while sometimes acceptable or even positive have more often proven counterproductive.

The foregoing statement should not be viewed as a criticism of agricultural economists. Rather it should serve to alert political scientists possessing expertise in the field of American

politics and policy analysis to the existence of a knowledge gap which they are uniquely capable of filling. One noted economist, (he is currently compiling a book about the economics of the direct payments program which will be published in 1974) Ray Marshall of the University of Texas, makes pointed reference to the need for a political-economic research partnership relating to the farm subsidy programs when he informally describes the farm subsidy program as an example of "political power transformed into hard cash."⁹ This paper is very much in keeping with Marshall's implication as the impetus for it was provided in part by studies carried out separately by two very prominent economists, Charles L. Schultz of the Brookings Institution and the University of Maryland, and James T. Bonnen. Schultze's study which was published in 1971 as a Brookings Institution staff paper is entitled The Distribution of Farm Subsidies: Who Gets the Benefits?, and Bonnen's which was published in 1969 under the title The Analysis and Evaluation of Public Expenditures: The PPB System.

A final point should be made for the benefit of those who remain skeptical of the value of political science research dealing with agricultural subsidy programs. It is a pragmatic assertion, however the logical and existential implications are compelling. Any time one is able to identify a program which represents a large annual outlay of economic benefits and which is funded from public tax sources one can be relatively certain that a focal point of political give-and-take has been located. Readers are furnished with an excellent illustration of the reality of this assertion as well as a clear picture of one way in which politics

and economics merge in farm subsidy programs in the recent Ralph Nader study, Who Runs Congress?:

When Haynesworth was being inspected, [in relation to President Nixon's ill-fated appointment of Clement Haynesworth to the Supreme Court] one midwestern senator...got a call from the U. S. Department of Agriculture. He was told that the fertile mulch of agricultural subsidies, which the USDA had applied to the state for years, might be applied no more unless the senator voted for Haynesworth.¹⁰

Commonly desired benefits are present in such programs and must be allocated through some sort of political process. The direct payments and price support programs alone carry an annual price tag of five billion dollars-- roughly equal to the cost of all federal, state, and local welfare programs including Medicaid.¹¹ These farm subsidy programs as well as many others are tremendously complex and interesting examples of political activity, closely linked to other spheres of domestic and international political activity. As such, they deserve recognition as valid subjects of analytic and explanatory political science research.

Chapter 1

Footnotes

¹ Charles Sackrey, The Political Economy of Urban Poverty (New York: W. W. Norton and Company, Inc., 1973), p. 92.

² Charles L. Schultze, The Distribution of Farm Subsidies: Who Gets the Benefits? (Washington, D. C.: The Brookings Institution, 1971), p. 25.

³ John K. Galbraith, Economics and The Public Purpose (Boston: Houghton Mifflin Company, 1973), pp. 73-77.

⁴ Frances Fox Piven and Richard Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Random House, 1971), p. 201.

⁵ U. S. Bureau of Census, Current Population Reports, Series P-60, #77 (Washington D. C.: Government Printing Office, 1971).

⁶ Austin Ranney (ed.), Political Science and Public Policy (Chicago: Markham Publishing Company, 1968), pp. 13-18 and Thomas R. Dye, Understanding Public Policy, (Englewood Cliffs: Prentice-Hall, Inc., 1972), pp. 4-6.

⁷ Karl W. Deutsch, Politics and Government: How People Decide Their Fate (Boston: Houghton Mifflin Company, 1970), p. 11.

⁸ David Easton, The Political System (New York: Alfred A. Knopf, 1953), p. 129.

⁹ From a conversation with the author at the First Annual Conference on Land Reform, held in San Francisco, California, April 25-28, 1973.

¹⁰ Mark Green, James Follows, and David Zwick, Who Runs Congress?: Ralph Nader Congress Project (New York: Bantam-Grossman Publishers, 1972), pp. 99-100.

¹¹ Schultze, op. cit., p. vii.

Chapter II

SPECIFIC POLITICAL-HISTORICAL ORIGINS OF THE DIRECT PAYMENT AGRICULTURAL SUBSIDY PROGRAM

The year of 1933 witnessed a turning point in American agriculture. On May 12 of that year, little more than two months after his inauguration, President Franklin D. Roosevelt signed into law a bill officially titled The Agricultural Adjustment Act (AAA). This bill is known first of all for its role, in conjunction with the National Industrial Recovery Act (NIRA), as a pillar of Roosevelt's first "New Deal" response to the Great Depression. It was of more particular significance however to American farmers. For with its passage, direct federal subsidization of farmers and farm owners became a legal reality.

The impacts of this emergency public policy output were varied. For some farm owners, especially southern cotton planters, this policy development came as a boon, raising their cash income for 1933 (with help from the Commodity Credit Corporation loan program which was also instituted under the Agricultural Adjustment Act of 1933) by more than 50% over that of 1931 and 1932. For the smaller and more diversified farmers the direct benefits were of less moment. For large numbers of tenants, sharecroppers, and hired hands the impact of this program was

simply disastrous. As David Conrad sets forth in his book, The Forgotten Farmers, thousands of southern tenants, sharecroppers, and wage hands felt the sting of eviction and displacement as a result of certain clauses contained within the Act and manner in which they were administered.¹ Those few tenants who were allowed to remain on the land were in nearly all cases demoted to the status of sharecropper. The terrible plight of these impoverished rural citizens is of course, that which was so graphically portrayed in John Steinbeck's novel, The Grapes of Wrath.

In this chapter, an effort will be made to carefully examine the important environmental stimuli which generated widespread demands from farmers for government meliorative intervention in agriculture and to analyze the conditions and developments within the arena of agrarian politics which precipitated the transformation by the political system authorities of these demands into a direct payments agricultural subsidy program.

There exist numerous questions for which answers are needed if one is to profit from such an inquiry. However four key questions seem to stand above others in importance. They can be listed:

- I. What set of environmental circumstances can be viewed as the most specific and significant precipitators of the demands and supports articulated by farmers and farm owners for federal government meliorative intervention in agriculture during the period 1920-1933?

- II. By whom or through what sort of medium were these demands and supports articulated to the federal government by farmers?
- III. With what sorts of policy outputs did the federal government initially respond to these demands and supports?
- IV. How effective were these initial policy outputs in resolving the problems confronting farmers and how did the feedback of information relating to the impact of these initial policy outputs relate to the eventual adoption of the Agricultural Adjustment Act of 1933?

Precipitating Factors

Scholars generally agree that most of the major problems confronting farmers as they moved into the decade of the 1920's, as those problems which had frequently plagued their predecessors, were economic in nature. The "Golden Age" of agriculture which had continued beyond the end of World War I up to the spring of 1920 had come to an abrupt end. Suddenly the situation of tremendously inflated credit, currency, and prices which had prevailed during and shortly after the war was replaced by a period of drastic deflation beginning in the summer of 1920. Prices plummeted--many of them dropped to a third of previous peak levels. As is always the case in such times, the prices of agricultural products were hit first and with the most severity. What followed continuing well into the 1930's was the worst agricultural depression of modern times.

Rexford Tugwell, most renowned for his role as an agricultural and economic advisor to President Roosevelt offers a succinct explanation of why agricultural producers were so vulnerable to this period of rapidly falling prices. According to Tugwell the key to understanding this phenomenon lies in grasping "the nature of the [agricultural] industry, the nature of the individuals engaged in it, and the part commodities play in the whole industrial scheme."² First of all the consumption of farm products which are basic necessities of life is relatively unaffected by shifts in price. As a result of this situation of relatively inelastic demand combined with the fact that at this period in history farmers were very individualistic, preferring to plant maximum acreages and bargain separately for the sale of their goods, the production level of the agricultural industry was also very inelastic. The following tables offer a graphic illustration of the inelasticity of agricultural production during the depression of the early 1920's and the pattern of decreasing purchasing power of agriculture products which paralleled it, as compared with the pattern of the later years of the preceding "Golden Age" ending in 1920 of high prices.³ Note that while a sudden decrease in agricultural purchasing power occurred in 1920, the levels of agricultural productivity were very slow to adjust downward and in many cases actually increased, further aggravating the imbalance.

Tugwell goes on to point out that the diversity in types of crops produced by individual farmers and the physical isolation which at this time was very pronounced in farming, further added

Table 2-1

Summary of Price Index Numbers, 1913 Basis Only
(1913 = 100)

Year and Month	Farm prices, crops and live-stock combined		Wholesale prices of all commodities		Wholesale prices of non- agricultural commodities		Purchasing power of farm products	
1913.....	100		100		100		100	
1914.....	106		98		94		112	
1915.....	102		101		97		106	
1916.....	118		127		132		189	
1917.....	186		177		176		106	
1918.....	208		194		186		112	
1919.....	216		206		195		111	
1920.....	203		226		234		86	
1921.....	108		147		161		67	
1922.....	112		149		163		69	
1923.....	120		154		167		72	
1920 (Feb.)...	215		232		234		91	
1921 (Feb.)...	119		160		178		67	
1922 (Feb.)...	107		141		149		71	
1924								
January...	119		151		160		74	
February..	120		152		162		74	

Table 2-2

Yield Per Acre of Principal Crops, 1916-1923

Year	Corn	Wheat	Oats	Barley	Rye	Potatoes	Hay	Cotton	Tobacco
	bu.	bu.	bu.	bu.	bu.	bu.	Tons	Pounds	Pounds
1916..	24.4	12.2	30.1	23.5	15.2	80.5	1.64	156.6	816.0
1917..	26.3	14.1	36.6	23.7	14.6	100.8	1.51	159.7	823.1
1918..	24.0	15.6	34.7	26.3	14.2	95.9	1.37	159.6	873.7
1919..	28.9	12.8	29.3	22.0	12.0	91.2	1.52	161.5	751.1
1920..	31.5	13.6	35.2	24.9	13.7	110.3	1.51	178.4	807.3
1921..	29.6	12.8	23.7	20.9	13.6	91.8	1.40	124.5	750.0
1922..	28.3	13.9	29.8	24.9	15.5	105.3	1.57	141.5	736.0
1923..	29.3	13.5	31.8	25.1	12.2	108.1	1.48	128.8	810.0

to the difficulty of organizing commodity marketing associations which could have even begun to compete with the highly cohesive and much less competitive industrial giants of the nonfarm sector.

Many other specific factors have been cited by various scholars as contributing to the worsening economic plight of farmers during the 1920's. One of the more trenchant of these was the sudden shift in the status of the United States in international trade from that of a debtor to a creditor nation. Prior to 1914 the U. S. had been a debtor nation particularly with respect to Germany, Great Britain, Holland, and France. Following the war however, a net outward payment of \$160 million a year had been changed to a net inward payment of \$525 million as the U. S. emerged as the world's greatest creditor nation.⁴ In order to continue exporting at pre-war levels the U. S. needed to increase the amount of goods it imported while extending more foreign loans. It took neither of these actions, instead discontinuing wartime credits to the Allied countries in June of 1919. This inaction went a long way toward producing the rapid drying-up of European and other foreign demand for American agricultural products.

Another economic problem which troubled farmers was the increase of railroad freight rates which seemed to coincide almost exactly with dropping of prices in agricultural commodities. Motivated by the knowledge that railroad earnings had been lagging far behind increases of wage rates and costs of services President Wilson, in the fading days of his administration, signed a bill in late February of 1920 known as the Esch-Cummins Transportation Act. This Act called for the formation of a Commission whose main

duty would be to set rates at high enough levels to make it possible for the railroad companies to earn a fair return on the total value of their properties. The commission after deliberation set this fair return, for the two-year period beginning March 1, 1920, at 5½ percent of the value of all railroad properties.⁵ In order to comply with this recommendation, it was necessary to levy as of August 26, 1920, blanket increases in rates which reached as high as 35 and even 40 percent in some rural, western sections of the country.⁶ When one considers that by the time of Harding's election to the Presidency in the fall of 1920 that the price of wheat had dropped by nearly 75 cents per bushel, that corn was selling for approximately a third of its previous year's price, and that the values of other farm commodities were dropping in similar fashion, it seems only logical, as indeed was the case, that a renewal of farmers' old animosity toward the railroad companies could be detected.⁷

The tremendous inflation of land values based upon the unusually high crop returns during the war presented another grave economic difficulty to many of the nation's farmers. Up through the spring of 1920 when earnings had been high many farmers, rather than padding their savings accounts, had greatly increased their purchases of land, new equipment, and buildings on the assumption that favorable conditions would continue to prevail, at least for several years. The index of land prices (using the period from 1912-1914 as a base) rose from 129 in 1918 to 170 in 1920.⁸ In some areas of the

Corn Belt and in the Southeastern U. S. the index reached levels in excess of 200 as speculation flourished.⁹ The total value of all farm lands and buildings in the U. S. jumped from \$35 billion in 1910 to \$66 billion in 1920.¹⁰ As a consequence of this investment spree many farmers found themselves saddled with mortgage obligations which were to become extremely difficult to handle and in many cases they became simply insurmountable as the boom receded and the depression continued to worsen. While in 1914 the nation's farmers had owed only about \$4.7 billion on real estate mortgages these outstanding debts had already reached \$10.2 billion by 1920.¹¹ As if this problem was not enough, farmers were also confronted with continued high taxes on their investments.¹²

The farm price collapse in 1920 and 1921 and associated ills of the agricultural economy ignited a sustained effort by farmers to articulate demands for, and secure government intervention to aid in, boosting agricultural income.¹³ Many farmers who had been content to focus attention on increasing production and expanding investments during the years of prosperity now began to realize, like the old Populists, that their only hope for economic salvation was through political means. The flurry of activity in agricultural politics which followed and continued through the mid-1930's, even after the adoption of the first AAA, has never been equalled since. While the basic motivation for this unparalleled process of organization and articulation of political demands has been attributed by most observers to the seriousness of the farmers'

economic plight, their political accomplishments in sheer quantity, if not always quality, stands as a vivid testimony to their conviction that theirs was a worthy cause.

Medium For the Articulation of Demands and Supports

Most of the farmer's political demands and supports during this period were channeled through the three major farm organizations. Two of these, the National Grange (or as it is more formally known, the Patrons of Husbandry) and the National Farmers Union, had been in existence some years prior to the farm depression. However the farm organization which would play the most significant role in influencing agricultural policy formulation during this time of economic woes, the American Farm Bureau Federation, had been formed only shortly before the coming of the crisis. An understanding of the background of these organizations provides important insights into their roles as the dominant non-governmental participants in the formulation of national farm policy during this period. For as we shall see, much of the agricultural policy output of the 1920's and 1930's would tend to reflect with rather striking similarity and ideas championed by the Farm Bureau and the Grange and, to a lesser extent, those of the National Farmers Union.

The National Grange was established on December 4, 1867, in Washington, D. C. by a small group of federal bureaucrats led by Oliver Hudson Kelley. From the beginning the organization had as its rationale the development of a fraternal organization for farmers and their families which could aid in furthering the social and educational improvement of rural America.¹⁴ As stated

by the organizations official biographer, Charles Gardner, "The real power of the Grange is not found in its legislative or financial accomplishments, but in the social and educational development of rural life."¹⁵ Perhaps Gardner was being overly modest. Dale Hathaway, a noted authority on agricultural policy, points out that during its early years the fact that the organization's shared interest was fraternity rather than political power did not prevent the Grange from becoming a major force in the agricultural public policy process.¹⁶

As its political activities began to be focused on the issue of gaining more effective regulation of railroads the organization had quickly drawn a large following in the hard times of the 1870's. By 1873 Granges had been established in all states except Nevada, Connecticut, Rhode Island, and Delaware,¹⁷ and by 1875 the organization claimed a national membership of nearly 858,000.¹⁸ Two of the major political accomplishments of the Grange during its early years were the authoring of a model for the Interstate Commerce Act which was later adopted by the federal government in 1887, and their instrumental role in the successful lobbying effort which resulted in the enactment of the Illinois statute of 1871 which regulated many aspects of interstate rail transportation.¹⁹ In addition to this sort of political activity the Grange was concerned with a broad spectrum of additional issues such as improving rural educational and community development facilities, electoral reform, and the elimination of governmental corruption.

By 1880 as interest among farmers in political activism began to subside, membership shrank rapidly to a low point of 124,000, leaving mainly those members whose primary interests were in the Grange's fraternal activities.²⁰ The remaining members tended to be concentrated now in the states of the north-east, north-central, and far northwest sections of the country. It was these two characteristics of the Grange--an articulated emphasis on fraternal activities rather than political issues, and geographic concentration--which were primary factors in shaping its role in the agricultural policy process during the 1920's and 1930's as a generally supportive ally of the Farm Bureau. Perhaps the existence of a good deal of overlapping membership between these organizations which both tended to recruit most heavily from among the ranks of more successful and wealthier farmers, offers some further explanation of the high degree of political and philosophical similarity to the Farm Bureau which they exhibited during this time.²¹

The American Farm Bureau Federation was created in Ithaca, New York, in 1919, after a preliminary meeting of the representatives of several already functioning county and state Farm Bureaus.²² It was begun with the explicit purpose of acting as a political interest group for the more prosperous commercial farmers of the middle west and the Mississippi Valley.²³ By the end of its first year of existence Farm Bureau was able to claim 317,108 members and the following year the number of members was nearing 475,000. Much of the credit for this phenomenal growth has been attributed to the encouragement and, in some cases,

direct financial aid that was bestowed upon this fledgling private organization by the U. S. Department of Agriculture through its Extension Service Agency. One official of the Extension Service, C. B. Smith, spoke openly of this situation whereby a private group was partially financed by the government with tax dollars: "I do not believe it is going too far to say that the United States Department of Agriculture and the office with which I am connected are responsible for the development of the Farm Bureaus in this country."²⁴

It is interesting to note that within a short time after the formal establishment of the Farm Bureau Federation the organization was already flexing well-developed political muscles. At the urging of the organization's first president, James R. Howard of Iowa, and his chief legislative assistant, Gray Silver, an apple-grower from West Virginia, Senator Kenyon of Iowa called a meeting at the Washington office of the Farm Bureau. Those legislators present at this first meeting which was held on May 9, 1921 included six Republican Senators: Kenyon of Iowa, Capper of Kansas, Norris of Nebraska, Gooding of Idaho, Ladd of North Dakota, LaFollette of Wisconsin, and six Democrats: Smith of South Carolina, Kendrick of Wyoming, Fletcher of Florida, Ransdell of Louisiana, Heflin of Alabama, and Sheppard of Texas.²⁵ This artfully chosen group would form the nucleus of the famous congressional "Farm Bloc" through the efforts of which the bulk of agricultural policy in the 1920's and 1930's would be enacted. There is little doubt that the Farm Bureau Federation had the major influence in directing the Farm Bloc's activities during its most productive years.²⁶

Though much less influential than the Farm Bureau and the Grange, the National Farmers Union was a third force in agrarian politics during the 1920's and 1930's. This farmers organization was founded in Texas in 1902 mainly for the purpose of advancing the causes of cooperative marketing and rural education. Its ranks grew quickly as state organizations were organized throughout the south and Great Plains areas and by 1918 it had nearly 400,000 members. However with the coming of the depression, the national leadership concentrated more of its efforts on job of actively and aggressively influencing farm policy. As this trend became more pronounced many of its earlier adherents became alienated and by 1921 NFU membership had dwindled to a low point of only about 135,000.²⁷

This rapid decline was most likely accelerated as it became apparent that Farmers Union was departing sharply from the other farm organizations both in the types of interests they were attempting to represent and in political philosophy. Historian Basil Rauch writes that the National Farmers Union was most active in the 1920's and 1930's in lobbying for the interests of the smaller farmers and tenants whose farming and ranching operations tended to be of a rather diversified character.²⁸ In terms of political philosophy the Farmers Union was unique among the major farm organizations, for it was openly sympathetic with the labor union movement and supported the idea of transferring the concept of unionization into the nation's agrarian sector. Some observers have viewed the development of this harmonious relationship between NFU and organized labor as an outgrowth of their

perceptions of themselves as minority groups during the 1920's and 30's whose only hope for gaining real political clout was through the formation of mutually beneficial coalition.²⁹

Whether this political alliance was indeed based upon such considerations is open to question. But the fact remains that as a result of its association with the labor movement, the Farmers Union was viewed by many farmers and politicians as "the left wing or radical farmers organization in America."³⁰

Briefly then, it can be concluded that the major medium through which farmers during the twenties and thirties transmitted their demands for government help for agriculture was the three major farm organizations. The newly formed Farm Bureau Federation, usually with support from the National Grange, was by far the most potent interest group in agricultural politics during this period. By stimulating the formation of the Farm Bloc and continually pressuring this group of legislatures (who, when it came to questions of agricultural policy were essentially non-partisan) the Farm Bureau was able to provide extremely effective interest group representation for the nation's more prosperous commercial farmers. The National Farmers Union, though striving hard to represent the views of smaller farmers, was relatively much weaker in terms of political influence. And the poorer tenant farmers and sharecroppers--the rural people who probably experienced the cruelest hardships of the depression--had no organized interest group of recognized stature to consistently and forcefully plead their case. Thus while demands for government relief programs for agriculture stemmed from somewhat

pluralistic sources, there existed a heavy weighting of the process in favor of the larger, more prosperous commercial farmer.

Initial Policy Responses

After its formation in 1921, the Farm Bloc quickly attracted an expanded congressional following as additional senators joined the bloc and a similar movement was initiated in the House of Representatives under the leadership of Congressman Dickinson of Iowa.³¹ Wasting little time, this group of legislators marshaled their forces to pass several pieces of constructive legislation and employed their collective influence to persuade President Harding to sign them into law. The Farm Bloc's first major success came in 1921 when Harding signed the War Finance Corporation Act. This act resurrected the War Finance Corporation which had functioned as an emergency agency during World War I to cope with the tremendous need for industrial credit. Through its auspices in 1921 and 1922 large numbers of loans were now extended to western farmers and ranchers.³² Also during 1921, influenced by the obvious cohesiveness of these agrarian legislators, Harding attached his signature to the Packers and Stockyard Act which granted the Secretary of Agriculture the power to oversee the operation of all packing plants, stockyards, and commission merchants and accorded him the authority to correct price manipulations and various other unfair practices. A week later on August 24, 1921, the Grain Futures Act was passed empowering the Secretary of Agriculture to take any steps deemed necessary to prevent improper speculation on the grain exchanges regarding grain sold for future

delivery. The implementation of these measures was viewed as a step in the right direction by most farmers. Yet these laws seemed to have very little effect in easing the farmers economic plight, as the farm depression continued to be exacerbated.

The price of corn had dropped from \$1.85 in June, 1920, to an unbelievable low 41 cents a bushel in November, 1921.³³ The situation became so serious, that the governors of Iowa and Nebraska, with the endorsement of the Secretary of Agriculture, were prompted to issue public statements encouraging the use of corn as a more economical fuel than coal! During this same time wheat had plunged from \$2.58 to 92 cents a bushel. The price of hogs had dropped by 19 cents a pound, while that for beef cattle had been cut by 50%.³⁴

As the new legislative session opened in December the Farm Bloc congressmen were hard at work once again. Their first major proposal, co-sponsored by Senator Capper and Congressman Volstead, was a bill designed to strengthen the legal position of agricultural cooperatives.³⁵ It granted such cooperatives immunity from prosecution under anti-trust laws so long as the prices of the products were not unduly enhanced. At this point the bloc found the sledding a bit tougher as the Capper-Volstead proposal became the target of vigorous opposition from still economically healthy trade and commercial interests. After a pitched legislative battle however, the agrarian forces emerged in February of 1922 the victors. The bill was passed in the Senate by a 47 to 44 margin and in the House by a solid majority.³⁶ The Capper-Volstead Act was signed by President Harding on February 18.³⁷

The Farm Bloc's next move (taken in the spring of 1922) was to attempt to transform the growing antipathy of farmers and the farm organization towards Wall Street and the eastern banking establishment into effective legislation. This took the form of an amendment to the Federal Reserve Act which would allow agriculture to have a specific representative on the Federal Reserve Board. Though opposed openly as well as covertly by the financial powers, with assistance from Harding's increasingly influential Secretary of Commerce, Herbert Hoover, the measure slipped through the Senate by a narrow margin and the House once more added its stamp of approval. Thus for the first time ever, agriculture was able to take its place at the nations monetary council table.

Shortly after its passage the Grain Futures Act of 1921 had been challenged by the Chicago Board of Trade on the grounds that its tax feature was unfairly discriminating against the Board's legitimate business operations. The Supreme Court ruled in their favor stating that the tax feature of the Act was indeed unconstitutional. But the Farm Bloc with aid from the leaders of the farm organizations reacted speedily, framing a new act which would base its regulatory powers not upon a prohibitive tax but upon the long-accepted power of Congress to regulate interstate Commerce. This new Grain Futures Act, known as the Capper-Tincher Bill, was passed and approved on September 21, 1922.

The same day that he signed the Farm Bloc-supported Futures Act, perhaps partly to mollify the commercial interests

and partly because it was in keeping with traditional Republican Party philosophy, President Harding signed the Fordney-McCumber Tariff Act. Secretary Hoover was instrumental in procuring passage of this law, remaining as Arthur Schlesinger, Jr. puts it "curiously myopic" on the subject of tariffs, seeing no relation between the dollar resources of foreign nations (which were necessary to allow them to purchase the large volume of American agricultural products available for export) and their ability to sell manufactured goods in American markets.³⁸ This tariff which was a revised version of an emergency tariff which had been passed the year before, erected a protective wall on all fronts which marked the opening of an era of "throttled" trade which would continue to plague the world throughout the depression.³⁹

As most farm prices improved a bit during 1923 and many farm leaders began turning their attention to consideration of the relative merits of the cooperative marketing associations approach as a solution to farm ills, the legislative activity of the Farm Bloc began to become somewhat more subdued. Much of the sudden interest in commodity cooperative marketing associations had been generated by one Aaron Sapiro, a lawyer for California's state marketing bureau.⁴⁰ At the behest of the Farm Bureau Federation Sapiro had presented a very impressive, forceful exposition of the successes of commodity associations in California at a Farm Bureau-sponsored conference held in Chicago during the summer of 1920. Here he had gained many converts from several other farm organizations and commodity groups including NFU.⁴¹

However despite such developments, the Farm Bloc did manage in 1923 to gain passage of an Agricultural Credits Act which became law in March of that year. Though the final version of this bill had been watered down by a House committee, the intermediate credit banks which it established were helpful in partially relieving the shortage of credit in rural areas.

One very significant exception to the trend of temporarily rising farm prices in 1923 was wheat. As a formidable surplus was harvested the price of wheat dropped quickly until in August it had sunk to a depth of 84 cents a bushel. Farm Bureau's Gray Silver estimated that as a result of this price decline wheat farmers would lose at least \$3,000,000,000.⁴² It was in an atmosphere of near panic among the nation's wheatgrowers that some farm leaders, such as the President of the Kansas Farmers' Union, began calling for direct and immediate price-fixing intervention by the federal government.⁴³

While Calvin Coolidge, who had replaced Harding as President after the death of the latter in August of 1923, turned a deaf ear to such demands, agricultural forces now began regrouping behind an export corporation plan designed to regain parity for agriculture. This plan had first been proposed during the previous year by George Peek, the head of the Moline Plow Company, and it received strong support from the Farm Bureau. As the core of successive McNary-Haugen bills, it would provide the focal point for the struggle by farmers for government meliorative intervention in agriculture throughout the Coolidge years.

The Peek Plan, as packaged in the McNary-Haugen proposals, called for the creation of a government export corporation which would be capitalized at \$200 million. The main function of the export corporation would be to purchase specified farm commodities in amounts which would raise domestic prices to a level which would provide farmers with purchasing power equal to that of their urban brethren, such as had been enjoyed during the prosperous prewar base period of 1910-1914. In order to attain this goal of "parity" for agriculture the export corporation would have to buy more farm produce than could be absorbed by the domestic market. The surplus would then be dumped on the world market to bring whatever lower prices prevailed on the world market. The loss which would result from the export operation would be recovered by the government by charging farmers an "equalization tax" on the domestically marketed portions of their crops. It was asserted by the McNary-Haugen proponents that much of the losses on sales abroad could be avoided by proper "merchandising", but they went on to point out that for what losses did occur, there would be a more than ample trade-off from the higher prices which would be maintained in the domestic market. Furthermore the plan provided an automatic check on undue expansion of production, for the equalization fee would rise with increases in the export surplus, thus reducing net commodity prices.

Though President Coolidge was prevailed upon by agricultural interests during his term to take such steps as calling a national conference in 1925 to study the agricultural problem and to attach his signature to the Purnell Act which provided funds

for research in agricultural economics, rural sociology, and home economics, he stood like a rock in opposition to the tenets of McNary-Haugenism. The bill was passed by both houses of Congress in 1927, and again with slight modifications in 1928. It was vetoed both times by President Coolidge who objected to the bill for the following reasons:⁴⁴

1. It would aid farmers in certain localities at the expense of those in other areas.
2. It was a price-fixing measure.
3. The plan would be extremely difficult if not impossible to administer.
4. The "equalization" tax was not a true tax, but rather an unconstitutional tax for an arbitrarily selected class of citizens.

As a consequence of President Coolidge's decision not to run for re-election and the subsequent victory of Herbert Hoover over "Al" Smith in 1928, the character of agricultural politics changed markedly. While during the Coolidge administration the influence of the farm organizations had been greatly limited by the President's effective use of the veto, it would now be dissipated even further. Rather than accepting the McNary-Haugen approach for dealing with the agricultural ills, or the more recently proposed Domestic Allotment plan,⁴⁵ the Hoover administration advanced its own proposal. This plan, which was presented to Congress during the early "honeymoon days" of Hoover's term, was passed by both houses and signed into law by the President as the Agricultural Marketing Act of 1929. Harking

back to concepts of the earlier Spairo movement, it was designed to aid farmer's in developing economic cooperatives under government auspices. In so doing, the act reflected Hoover's firm, though naive, conviction that farm owners could rid themselves of economic troubles if they were only encouraged by the federal government to intitute the types of voluntary cooperative practices which had been employed with beneficial results by the business community.

Under this act a Federal Farm Board was established and capitalized at \$500,000,000. With this fund the Farm Board attempted to organize and integrate cooperative associations for each main agricultural commodity on a national scale. The Board also advanced money to farmer-members of these cooperatives on the security of their crops so that they could withhold their products from the market until prices became more favorable. Whether Hoover's program could have succeeded in the best of times is doubtful, but in any case it was patently incapable of dealing with the economic disasters which began to occur shortly after its formation in June of 1929. On October 24 of that year the great stock market crash occurred and the already depressed agricultural prices began to skid even lower. Now however, farmers were joined in their plight by heretofore prosperous businessmen as industrial stocks sank to record lows. The Great Depression had become reality!

Conditions in farming regions further deteriorated in 1930 as the effects of a serious drought began to cause grave hardships especially among cattle-raisers. However the drought

had come too late in the summer to reduce the size of the nations grain and cotton crops. Thus the Farm Board still had to attempt to carry out its legally designated obligations. In order to avoid the liquidation of its loans at a loss, the Federal Farm Board established in mid-1930 "Stabilization Corporations" for wheat and cotton. These corporations were supposed to take over the supplies held by the cooperative associations at prices equal to the loan values, and by purchasing, storing, and holding in huge quantity make an effort to bolster prices.⁴⁶ Farm owners were urged by the administration and the USDA to reduce production with the slogan "grow less, get more." Unfortunately the effects of these propaganda efforts were not what had been hoped for. For the most part individual farmers, in the absence of enforceable restrictions, were influenced to let their neighbors reduce the size of their crops, while expanding their own production in hopes of profiting from the higher prices promised by the Farm Board. This left farmers with greater surpluses than ever and farm prices remained at extremely low levels.

A mistaken estimate of consumer buying power coupled with an unusually large world wheat production forced the Board to sharply cutback its price-supporting loan program in late 1931. Shortly afterward, there occurred (primarily a result of this event) a drastic break in wheat and cotton prices. Finally confessing its inability to deal with the situation, the Farm Board in its last annual report called for some type of legislation permitting direct government regulation of agricultural production. In this report the conclusions were drawn that (1)

prices could be maintained above their normal levels, only if some government agency was capable of supporting the costs, and that (2) these stabilization costs, to be effective, must be paid by someone other than farmers, either in higher taxes or higher prices.

With the obvious failure of Hoover's farm program, the major farm organizations began voicing with increasing intensity, demands for emergency government measures. Their demands were given added weight by the fact that in October, 1932, farm prices had dropped so low that their exchange value would purchase only half as much goods as they had during pre-war days.⁴⁷ The Farm Bureau Federation at a meeting in Chicago announced its desire to see the federal government adopt an inflationary, or as they dubbed it, a "reflationary" monetary policy, requesting that the amount of gold in the dollar be decreased from 23.22 to 16 grains. The Farmers' Union, meeting in Omaha, returned to the roots of their populist heritage, calling for the remonetization of silver, higher income taxes, and a moratorium on all private and public debts. They even recommended that farmers carefully consider the merits of a general farm strike of the type proposed by the radical "Farmer' Holiday" movement (a National Farmers Union splinter group especially active at this time in Iowa, Minnesota, and other midwestern states).

By Christmas of 1932 economic conditions continued to become more alarming as the farm and unemployment crises, along with heightening levels of tax delinquency and the ever-increasing problem of mortgage foreclosures, claimed a good share of at-

tention as topics of discussion at the annual meeting of the American Economic Association in Cincinnati.⁴⁸ The following week however, still stubbornly attempting to avoid direct government relief-type intervention into the economy, President Hoover communicated to Congress his wish for a revision of the bankruptcy laws that would allow both individuals and corporations to make private, bi-lateral readjustments with their creditors. This gesture did little to stem the tide of economic depression. By late January and early February even the nation's most conservatively managed commercial banks, after passing through over three years of rapidly falling land values, bankruptcies, and foreclosures, had had their resources stretched to the breaking point. And, as a result of the revelation by witnesses before the Senate Committee on Banking and Currency of unsound banking practices by many managers of large banks, the hoarding of gold and currency by individuals and corporations began to increase very rapidly. Finally as the banking crisis came to a climax, many of the state governors were forced to declare "bank holidays", halting all banking transactions within their states for varying periods of time. In many states bank failures became everyday occurrences as the people of the U. S. withdrew from banks in the period from February 9 to March 3, 1933 a total of approximately \$1,700,000,000. This amount was equal to about 35% of the total money which had been in circulation in the country, in the prosperous times before the crash in 1929.⁴⁹ So with failure of the Hoover economic program a foregone conclusion, the nation waited in hopeful anticipation to see

if the newly elected administration would be able to formulate and bring about the passage of the sorts of basic remedial programs which were so urgently needed. Farm leaders and farm organization personnel, with their backs clearly against the wall, were especially anxious not to see what sorts of proposals would be forthcoming, but to take a much more active role in shaping agricultural relief policy itself.

FOOTNOTES

Chapter II

¹David E. Conrad, The Forgotten Farmers: The Story of Sharecroppers in the New Deal (Urbana: University of Illinois Press, 1965), pp. 64-82.

²Rexford G. Tugwell, "The Problems of Agriculture," Political Science Quarterly, Vol. XXXIX (December, 1924), p. 567.

³Ibid., p. 563 and 569.

⁴Murray R. Benedict, Farm Policies of the United States, 1790-1950: A Study of Their Origins and Development (New York: Octagon Books, Inc., 1966), p. 169.

⁵Ibid., p. 170.

⁶Ibid.

⁷Albert B. Genung, The Agricultural Depression Following World War I and Its Political Consequences (Ithaca: Northeast Farm Foundation, 1954), p. 6.

⁸Benedict, op. cit., p. 168.

⁹Ibid.

¹⁰Ibid.

¹¹Ibid.

¹²David E. Lindstrom, American Farmers' and Rural Organizations (Champaign: The Garrard Press, 1948), p. 135.

¹³George McGovern (ed.), Agricultural Thought in the Twentieth Century (New York: The Bobbs-Merrill Company, Inc., 1967), p. xxi.

¹⁴Dale E. Hathaway, Government and Agriculture: Economic Policy in a Democratic Society (New York: The MacMillen Company, 1963), p. 226.

¹⁵Charles M. Gardner, The Grange--Friend of the Farmer, 1867-1947 (Washington: The National Grange of the Patrons of Husbandry, 1949), p. v.

¹⁶Hathaway, op. cit.

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- 18Louis H. Douglas, Agrarianism In American History (Lexington: D. C. Heath and Company, 1969), p. 58.
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- 20Hathaway, op. cit., p. 227.
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- 28Basil Rauch, The History of the New Deal: 1933-1938 (New York: Creative Age Press, Inc., 1944), p. 68.
- 29Hathaway, op. cit., p. 230.
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- 32Ibid., p. 10
- 33James H. Shideler, Farm Crisis: 1919-1923 (Berkeley: University of California Press, 1957), p. 87.
- 34Genung, op. cit., pp. 10-11.
- 35Oscar B. Jesness, (ed.), Readings on Agricultural Policy (Philadelphia: The Blakiston Company, 1949), p. 68.
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- 37McGovern, op. cit., p. xxxviii.
- 38Arthur M. Schlesinger, Jr., The Age of Roosevelt, Vol. 1: The Crisis of the Old Order (Boston: Houghton Mifflin Company, 1957), p. 84.

³⁹ Genung, op. cit., p. 14.

⁴⁰ McGovern, op. cit., p. 95.

⁴¹ Benedict, op. cit., pp. 195-196.

⁴² Shideler, op. cit., p. 255.

⁴³ Ibid., p. 256.

⁴⁴ Benedict, op. cit., p. 228.

⁴⁵ The major proponent of the Domestic Allotment plan at this time was a noted Harvard economist, John D. Black. The basic principle of this plan amounted to the payment to producers of the free-trade price plus the tariff duty for the portion of their crop which was to be consumed in the U. S. and the free-market price without the tariff duty for the part of it which would be exported. These payments would be made through the distribution of government certificates which would be calculated on a system of allotments to the individual producers of rights to sell the domestic part of the crop in the domestic market. The farmers would then sell these certificates to the processors of agricultural products.

⁴⁶ Lindstrom, op. cit., p. 139.

⁴⁷ Genung, op. cit., p. 66.

⁴⁸ Ibid., p. 69.

⁴⁹ George L. Harrison, Proceedings of the American Academy of Political Science, Vol. 17 (May, 1936), p. 121.

Chapter III

THE COMING OF THE FIRST AAA

In The End of Liberalism, in a section devoted to analyzing the consequences of pluralistic government, Theodore Lowi describes the enactment of the agricultural component of Roosevelt's New Deal legislative package as a profoundly significant turning point, not only in agricultural politics but in American politics as a whole. The assertion is made that the passage of this legislation, the most important item of which was the Agriculture Adjustment Act of 1933 with its provision for direct government subsidization of farmers, marked the tacit ratification by the federal political system of the principle of "self-regulation" for the agricultural industry. The system which was created by tacit pre-election agreement between the leaders of the major farm organizations and the Democratic party--that self-regulation should be the rule in agricultural policy making--was legitimized by post-election congressional approval and has endured through the past 40 years, "with only a few marginal additions and alterations."¹

Underscoring the primary theme of his book, Lowi goes on to assert that this system which has its basis in the AAA of 1933 has actually functioned to create a "New Feudalism" by allowing the most powerful forces of organized agriculture led by the Farm Bureau, to expropriate the public authority and to manipulate

the federal agricultural policy making process for the purpose of selfish gain and private ends. And finally Lowi suggests, while there have been bitter political conflicts among the various agricultural leaders and organizations about the manner in which the benefits of this self-regulated system are distributed, when it comes to the value of the system itself, there has existed over time an overwhelming consensus among concerned parties which has been responsible for its remarkable longevity.²

Though his conclusions are very perceptive, Lowi's treatment of this subject is rather brief. Because of the paucity of supportive empirical information Lowi's arguments could easily lead to misconceptions or even be open to outright dismissal by readers who might be offended by its implications. Despite the existence of these serious drawbacks however, Lowi's thoughts about the agricultural policy process are nevertheless worthy of thoughtful consideration, for they conjure up a host of important questions.

For instance, if the Roosevelt administration consciously acquiesced to the concept of self-regulation of agriculture--a concept somewhat antithetical to the precepts of "planning" and "centralization" which generally characterized the New Deal--why did it do so? What was the explicit function of Roosevelt's farm program as it was articulated in the Agriculture Relief Act of 1933? What kind of specific administrative structure was employed to carry out the dictates of this act? What sorts of immediate economic impacts resulted from this first program for direct government subsidization of agriculture?

In this chapter our efforts will be focused upon explicating answers to these questions. In the process it is hoped that the supplementary empirical data which are presented will also offer the reader a more complete basis for evaluating the relative political significance of the complex interactions which occurred in the agricultural policy making process shortly before, during, and just after the passage of the first AAA. Gaining an understanding of these interactions is worthwhile. For in Chapter Three we shall be examining the development of farm subsidy policy during the years since the first AAA, and the key to understanding the incremental nature of this later era of policy development is to be discovered during this rather brief trend-setting period.

As has been pointed out in the previous chapter it was in an atmosphere of unprecedented economic emergency that Franklin Roosevelt took up residence in the White House following his inauguration on March 4, 1933. The following day in his first official act, President Roosevelt declared a national banking "holiday" which was continued for a week. This period of enforced banking inactivity was then ended as a progressive re-opening program was instituted with special federal licenses being granted only to those banks which were considered sound and liquid. Though effective in rejuvenating public confidence in the soundness of the banking system, this action had little helpful effect in rural farming areas where many of the banks deemed unsound seemed to be concentrated. The urgency of the need for a direct farm relief program became even more apparent.

The Role of Henry A. Wallace

Roosevelt delegated the primary responsibility for formulating a farm program and fashioning solid support for it to his Secretary of Agriculture, Henry Agard Wallace, the son of Henry Cantwell Wallace who had served as President Harding's Secretary of Agriculture. Wallace's powers in respect to this task were not as unlimited as it might appear at first glance, for he was well aware that his program had to be in keeping with campaign promises made by Roosevelt. Roosevelt was committed to center his administration's agricultural proposals around the Voluntary Domestic Allotment Plan, a slightly revised version of the McNary-Haugen Plan to which we referred in the previous chapter. Roosevelt first made this promise explicit in a campaign speech during the autumn of 1932 before a farm group in Topeka, Kansas.³

Wallace was actively assisted in carrying out his task of developing an emergency farm program by Rexford G. Tugwell, the Columbia University economics professor whom Roosevelt had appointed as his Undersecretary of Agriculture. Also involved was Professor Mordecai Ezekial, an economist with experience on the Hoover Farm Board, and Henry Morgenthau who had been Roosevelt's Conservation Commissioner while Roosevelt was serving as Governor of New York. Although not in total agreement about the details of how the farm crisis should be handled, these men were united in their conviction that roots of the agricultural problem were to be found in a disorganized and uncontrolled production and in their belief in the wisdom of a "planned" economy.⁴

Moving with deliberate haste, Wallace and his associates in the USDA called a conference for the expressed purpose of offering farm leaders an opportunity to "aid" in the formulation of a farm relief bill. Interestingly, only fifty representatives were invited to this meeting and these leaders were all attached to either the Farm Bureau, the Grange, or one of the major export commodity associations. No small farm organization leaders such as those from the Farmers Union or the Farmers Holiday Association were even invited to this exclusive get-together. Predictably the conferees diverged on many issues and interests which had maintained the separations between the various farm organizations since the beginning of hard times in 1920, and were unable at this conference to unite behind a specific proposal for farm relief. Finally, with gentle but effective prompting from Wallace, Tugwell, and Ezekial they concluded that President Roosevelt should be given broad powers to deal with the farm emergency in the same manner as had been employed in the previous week in the case of the bank crisis. It should be noted however that while not able to directly dictate the terms of Roosevelt's farm proposal, the participants at this conference representing the Farm Bureau, the Grange, and the wheat and cotton commodity associations, were still able to exert a good deal of influence on the general character of the farm bill which was initially drafted and proposed by the administration.⁵

Albert Genung, in The Agricultural Depression of 1921-1924, briefly summarizes the content of this proposal praising both its objective and scope.

It included three general proposals: first, power for the Government to rent land from farmers, thus taking land out of cultivation with a view to curtailing production; second, power to levy a tax upon the commodities specified (wheat, corn, cotton, tobacco, rice, hogs, dairy products) and from the funds so raised to reimburse the producer for curtailing production; third, a special cotton plan providing that cotton growers might be offered options upon cotton that had been acquired by the Farm Board, which they would hold for a rise in price after having themselves agreed to curtail production in 1933.⁶

On March 16, 1933, Wallace and Tugwell presented their final product to the President and after a cursory examination by Roosevelt it was sent on to the Congress that same day accompanied by a longhand message from the President urging its passage. Although strongly supported by the Farm Bureau, the Grange, and most of the still-powerful Farm Bloc congressmen, the administration's proposal met with stiff opposition from National Farmers' Union leaders who were undoubtedly disturbed at not having been consulted by the administration regarding to the program's formulation. The leaders of this organization with strong congressional support from the senators from the silver producing states formed a coalition reminiscent of that which existed during the old Populist era, and debated long and hard, demanding an inflationary amendment which would help resolve what they viewed as the most immediate and distressing aspect of the farm problem--mass mortgage foreclosures.

Opposition To The Administration's Proposal

John A. Simpson, President of the Farmers Union, speaking before the Senate Committee on Agriculture and Forestry declared that the basic problem was that:

...40 or 50 percent of the farmers are sinking out in the middle of Old River Mortgage and the first thing is to throw him a life-saver....A privilege few now hold the obligations of the great mass of the people and to the extent that any time they want to foreclose they can make about 12,000,000 of us propertyless. You have got one way to remedy that thing, and that is to make the dollar cheap enough so that the farmer, the little businessman, the professional man, everybody, can pay their debts.

Representative Lemke of North Dakota drawing attention to the fact that the administration's proposal failed to explain what advantages it would offer smaller, diversified-crop farmers and tenant farmers, stated that Simpson was articulating the thoughts of at least 85 percent of all farmers.⁸ The following Table 3-1, showing the number of farm foreclosures and bankruptcies in seven midwestern states offers the reader a shocking illustration of the reality of the situation of which Simpson and Lemke were speaking.⁹

Table 3-1

Number of Farms Changing Ownership by Foreclosure
of Mortgage and Bankruptcy per 1,000 of All
Farms by State

State	1931	1932	1933
Minnesota	31.2	42.9	59.1
Iowa	24.8	52.5	78.3
Missouri	23.7	42.1	51.2
North Dakota	34.1	54.0	63.3
South Dakota	33.2	49.2	78.0
Nebraska	21.8	34.4	58.2
Kansas	20.0	36.0	52.7

Growing Unrest in the Farm Belt

On April 16, the Senate voted on an amendment to the Agricultural Adjustment Act. The amendment proposed by Senator Wheeler of Montana called for the free coinage of silver at a ratio of gold of sixteen to one. It was defeated by a margin of 43 to 33. But the administration was aware that at least ten more senators were willing to vote in favor of a somewhat less radical inflationary measure. So moving quickly in hopes of controlling or diluting this demand for inflation to some extent, the administration drafted its own inflationary amendment and requested Senator Elmer Thomas of Oklahoma to present it for passage on the floor of the Senate. This amendment authorized the President to put money in circulation through the purchase of government bonds by the Federal Reserve system, to issue fiat money up to a limit of \$3 billion, to accept silver in payment of international war debts and to issue silver certificates on the silver acquired in this manner, and to lower the gold content of the dollar.¹⁰ All of these actions however, according to the terms of the Thomas Amendment, were discretionary on the part of the President.

In late April two events occurred which gained national attention and which undoubtedly speeded the progress of the Farm Relief Bill through the Senate and hastened the final passage of the measure. The first event took place in LeMars, Iowa, the scene of earlier farm disturbances. On the afternoon of April 27, a group of about 100 farmers entered the courtroom of Judge Charles C. Gradley who was in the process of hearing a foreclosure

case. The angry farmers pulled Bradley from his chair and removed him from the courtroom to a crossroads outside the town. Here a rope was placed around the judge's neck and the mob demanded that he promise to authorize no more foreclosures. Finally, after deciding not to hang Bradley the irate farmers dumped a hubcapful of grease on the judge's head, stripped him of his trousers and left him "besmirched and nearly unconscious in the road."¹¹ Only after the National Guard had been called in and had arrested and jailed 148 farmers suspected of participating in the LeMars incident and martial law had been ordered in the state (both actions were ordered by Governor Herring) was the governor able to bring the situation under control. As an indicator of farm belt tension and discontent the political primacy of this event was certainly noted by the Congress.

The second event, although somewhat less spectacular, was probably even more instrumental in motivating the senate to ratify the Roosevelt farm program. On May 4, the Farmers' National Holiday Association, at its convention in Des Moines, voted for a national farm strike and then scheduled it for May 13. About 1,000 farmers from most of the farm states and Canada were in attendance at this convention which was presided over by the colorful leader of the Association, Milo Reno. The proposed strike was postponed only at the request of President Roosevelt that his new farm relief program be given a chance to bring about agricultural recovery by orderly methods. To make his peace offering more enticing the President sent a special message to Congress urging that another amendment be added to the farm bill

which would allow for the refinancing of farm mortgages at low interest rates by the federal government. The Congress quickly ratified this addition to the bill.

Substance of the AAA

Finally passed and signed into law by the President on May 12, 1933, (just one day before the proposed farm strike) the Agricultural Adjustment Act, except for the inflationary Thomas Amendment and the mortgage refinancing amendment, was essentially the same program that had been drafted in Tugwell's words, "over a weekend, [in March] sponsored by a hastily convened meeting of farm leaders..."¹²

The primary explicit function of the AAA as set forth in the act's official statement of purpose was, "To relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency..." The long-term goal of the program was to restore and maintain farmers' purchasing power at a level which would be comparable (at "parity") with that of the nation's urban inhabitants, such as had been the case in the prewar period from 1909-1914. In the sense that the bill marked a radical departure from previous legislative enactments by calling for direct government intervention in the agricultural economy on the side of the "underdog" (which aptly described nearly all of the nations' farmers at this time), the AAA was as Eugene Conrad puts it, "one of the most imaginative and far-reaching pieces of legislation which had ever been ratified by the Congress. However as we shall see the way in which the AAA was administered

(dominated by the same farm groups which had been most influential in having their interests recognized in the formulation of the bill itself) would result in an initial improvement of the situation for only a rather select group of "underdogs", while many of the poorest farmers would find themselves in even more dire straits than previously. Before moving to examine this administrative aspect of the agricultural policy process which should do much to clarify Lowi's argument that the passage of the AAA of 1933 functioned as a governmental stamp of approval of self-regulation for agriculture, it would be worthwhile to examine the key clauses of the act itself.

As John Major states in his book, The New Deal, two principal clauses form the nucleus of the AAA of 1933.¹³ The first clause granted the Secretary of Agriculture the power to pay direct subsidies to farm owners in return for their reduction of planted acreage and/or reduced production of any staple crop required for domestic consumption. The second major clause provided that the funds to support this subsidy program should be raised by levying a special tax on the processors of agricultural products. These sections of the AAA, preceded by a brief introduction, appeared in the original Act in the following form:

DECLARATION OF EMERGENCY

Draft
That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions have affected transactions

in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of title 1 of this Act...

...Sec. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power--

(1) To provide for reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity, through agreements with producers or by other voluntary methods, and to provide for rental or benefit payments in connection therewith or upon that part of the production of any basic agricultural commodity required for domestic consumption, in such amounts as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments...

(2) To enter into marketing agreement with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce of any agricultural commodity or project thereof, after due notice and opportunity for hearing to interested parties. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful...¹⁴

In order to administer this act President Roosevelt and Secretary of Agriculture Wallace decided to create a new agency within the Department of Agriculture. This agency which was called the Agricultural Adjustment Administration was to be headed by George N. Peek, the originator of the ideas which had been the basis for McNary-Haugen proposals of the 1920's. Peek had been chosen for the position partially for his administrative capabilities and sympathy with the goals of the law, but more importantly for his acceptability to the leaders of the Farm Bureau, Grange, and other influential farm commodity groups.

As a precondition to his acceptance of the appointment as Administrator Peek demanded that all the powers granted to the Secretary of Agriculture by the Adjustment Act be transferred

to him and that in case any disputes arose he should have direct, free access to the President.¹⁵ Although agreeing to delegate as much authority as possible to Peek, Wallace made it very clear that final responsibility would rest with himself and the Department of Agriculture. He also firmly stated that if there were disagreements about how the program should be carried out he and Peek should see the President together.

After taking over as Chief Administrator of the AAA Peek immediately began to appoint as his subordinates many of the men who had worked with him during the McNary-Haugen struggle. Most of them were what Conrad speaks of as "traditional agrarians", men who had come from the triple alliance of the Extension Service, Farm Bureau, and the land-grant colleges, or who had worked their way up through the Department of Agriculture or the farm organizations.¹⁶ Chester Davis, who had closely aided Peek during the McNary-Haugen fight, was appointed Chief of the Production Division. Oscar Johnston, manager of the British-owned Delta and Pine Land Company, a huge cotton plantation in Mississippi, became Head of the Finance Division. Cully Cobb was picked to head the powerful Cotton Section of the Adjustment Administration. Cobb, formerly the editor of the Southern Ruralist, a farm journal, had at one time served as the Assistant Director of the Mississippi Extension Service after graduating from a land-grant college, Mississippi State University. The conservative, uncompromising attitude of the agrarian types appointed by George Peek is well illustrated by the following description of Cully Cobb:

...he tended to view anyone who threatened to interfere with the program as a personal enemy and definitely un-American. He was convinced there was a Communist and left-wing plot to discredit the Administration and thwart its efforts to save the economy.¹⁷

Well-trained and committed, these men were obviously capable of making the AAA work. Their administrative actions and those of subordinate officers under their direct control however, were pervasively influenced by their desire to preserve the basic socio-economic status quo in agriculture by aiding the maintenance of the interests of the larger and more successful commercial farmers and landlords.¹⁸

Secretary Wallace, asserting his authority in an effort to give the AAA a more balanced outlook, created the Consumers' Counsel of the AAA and appointed an old-line progressive, Frederick Howe, to head this office. Wallace, with help from Rexford Tugwell, was also able to secure the appointment of Jerome Frank (over the objection of Peek) to the position of Chief of the Legal Division of the AAA. Frank, formerly a successful private lawyer in Chicago and New York, had been a protege of the famous liberal jurist and legal scholar, Felix Frankfurter. In a manner very similar to that which had been employed by George Peek, Jerome Frank brought in men to staff his office whose ideological views very closely resembled his own. Among these young, liberal attorneys were Adlai Stevenson, Francis Shea, Alger Hiss, Nathan Witt, John Abt, Lee Pressman, Margaret Bennet, and Robert McConnaughey. Back in the Consumers' Counsel Frederick Howe had appointed another young liberal as his chief assistant,

Gardner Jackson. Up to this point Jackson had been most noted for his role in offering financial and legal assistance to Sacco and Vanzetti, the two Italian radicals who were tried and executed for murder and robbery in Massachusetts during the great Red Scare of 1919-1920.

Some of the members of the Legal Division and the Consumers Counsel were more radical than others. But most of them were of the mind that taking part in the administration of the AAA offered an excellent opportunity for not only economic reform but for social reform as well.

By fashioning an administrative structure for the AAA which de facto consisted of two separate groups opposing one another on ideological grounds and by allowing Peek to control the actions of the conservative "agrarian" group, while Frank, Howe, and peripherally Rexford Tugwell set the course for the liberals, Secretary of Agriculture Wallace had created a volatile mixture. The agrarians tended to view the liberals as intruders into an area of the policymaking process in which, because of their urban backgrounds and consequential lack of practical agricultural experience, they had no business becoming involved. The disdain of the agrarians for what they perceived as the misguided idealism of the young lawyers is exemplified in a story which they enjoyed telling about Lee Pressman. Supposedly, while immersed in the task of formulating a government macaroni code, Pressman had suddenly asked, "Just tell me this; is this code fair to macaroni growers?"¹⁹

On the other hand the liberals saw the agrarians as more interested in representing the vested interests in agriculture than looking out for the general public welfare. To them there was little doubt of the authenticity of a cozy, client-agent relationship between the conservative Farm Bureau leaders, the large-scale southern cotton planters, middle-western banker-farmers and the state Agricultural Extension Agencies from the ranks of which so many of Peek's men had come.

Commitment to Decentralization

From the outset Henry Wallace was determined that the formation of the Agricultural Adjustment Administration would not result in the creation of a huge permanent bureaucracy. For this reason he made the decision that the administrative apparatus of the AAA should be highly decentralized by employing county extension agents as local administrators. Further reflecting the drive for decentralization Wallace assigned the job of supervising production control under the program to county allotment committees who were elected for each county from among all farmers in each county who had signed production control contracts with the AAA. To carry out this duty these county committees, usually consisting of two or three farmer members and the county extension agent, would first check the past production data submitted by farmers who were seeking acreage allotment contracts and then make sure the acreage reductions were enforced, making adjustments in acreage allotments where necessary. If farmers were unhappy with the treatment they received from these county committees they had the option of appealing to State Committees which were made up generally

of AAA employees or Extension Service personnel. These State Committees had been set up for the purpose of providing a link between the hundreds of county associations and the central administrative apparatus in Washington.

Wallace's decision to implement a decentralized administrative structure for the AAA was probably in part a reflection of the traditional attitude of distrust of many farmers of "too much government control" over their individual activities with which he had become familiar as the editor of the famous Wallace's Farmer in his native Iowa. More importantly however his desire to avoid the building up of a large professional bureaucracy was conditioned by his view that the function of the AAA was a temporary one brought about by an extreme economic emergency--a function which could be taken over to a goodly extent (with minimum central planning power retained in the USDA to avoid the sorts of excesses which had led to the depression) by market forces after major "adjustments" had been made.

Although the real motivation behind the Secretary of Agriculture's decision to foster a system of decentralized administration will remain somewhat uncertain, there can be little doubt of the importance of the decision itself. For as we shall discover it was this decision which definitely tipped the scale of power within the Agricultural Adjustment Administration in favor of the conservative agrarian element which by virtue of its special relationship with the Extension Service and the Farm Bureau was in an extremely advantageous position in comparison to the liberals who lacked such a powerful supportive constituency. When

the open break came in 1934 between the Tugwell-Frank reformers and the agrarians now led by Chester Davis (Peek's former assistant, Davis, had replaced Peek following his retirement from the AAA in late 1933), centering around the issue of the methods by which the program's benefits were being distributed in southern cotton growing regions, it was inevitable that the conservative elements would triumph.

It was over the issue of this inequality in subsidy benefit distribution in the cotton growing south, that the showdown finally came between the liberals of the AAA's legal division and its conservative majority led by Chester Davis. The fight erupted when Jerome Frank discovered that in a case where tenants on a farm in Tyronza, Arkansas were bringing suit against the owner, Mr. Hiram Norcross, for illegal eviction, the Cotton Section of the AAA had bypassed the Legal Division and given its own ruling on the case in favor of Mr. Norcross. Frank immediately had his staff prepare and issue an opinion which countered the opinion of the Cotton Section. Technically at issue was the interpretation of Section 7 of the contracts which were signed by all owners participating in the AAA's subsidy program. Jerome Frank interpreted this section as a legal requirement that farm owners must retain the same number and same persons as tenants for the duration of the contract period. Chester Davis and Cully Cobb on the other hand maintained that owners were only required to retain the same number of tenants, leaving the way open for firing tenants and replacing them with tenants with smaller families or black tenants who tended at this time, because of the

tremendously repressive social conditions under which they were forced to live, to be more docile.

From the beginning, however, it was clear that more than a question of maintaining the status of tenant farmers was at stake. The liberals had decided to make a resolute effort to reassert their authority within the AAA, while the conservatives were at the same time determined to completely neutralize that same authority. Wasting little time after hearing of Jerome Frank's plan to reinterpret the legal meaning of Section 7 of the subsidy contract, Chester Davis went to deliver an ultimatum to Secretary Wallace in the latter's office at the Department of Agriculture. Davis demanded that either Frank and the rest of the liberals must be dismissed or else Davis would resign. The self-regulating administrative apparatus of the AAA when applied to the tenant and sharecropper-worked plantation system of the Cotton South had led as was probably inevitable at this point, to the domination of the land owners over their employees. Wallace's plan for decentralized, self-regulating agriculture had returned to haunt him now.

Although somewhat sympathetic to Frank's position, Wallace realized that if Davis were to resign, he would probably be followed by Cully Cobb and most of the other agrarians, leaving the AAA without any experienced men to administer the important cotton program. More significantly, however, Wallace was aware that the Democrat's entire New Deal coalition was dependent on the Congressmen from the cotton states of the South headed by Senate Majority Leader, Joseph ("Greasy Joe") Robinson from Arkansas

and Mississippi's Pat Harrison, chairman of the Senate Finance Committee. Without support and cooperation from these powerful men and their constituency, the President's over-all legislative program would have little hope for success. At least Davis, who stated that if Wallace had gone along with Jerome Frank's reinterpretation of Section 7 Wallace "would have been forced out of the cabinet within a month," was sure this was the case.²⁰ Wallace must have been convinced also, for he ultimately sided with the agrarians, allowing Davis to fire Frank, his assistants Francis Shea and Lee Pressmen, as well as Frederick Howe of the Consumers' Counsel and his assistant Gardner Jackson. (Howe was later allowed to return to the AAA in a position of reduced authority). Several weeks later, although it is uncertain whether it was for reasons connected with the purge, Alger Hiss tendered his resignation also and began working for the Senate Munitions Committee.

With the sudden departure of Frank and most of his staff lawyers, the path was now clear for the agrarians to foster, without fear of rebuttal, the notion that the liberals had been purged from the AAA because of their inability to administer their part of the subsidy program in a practical, realistic fashion. Taking full advantage of this opportunity, they were also extremely effective in perpetuating the conclusion that there simply could never be a place for liberalism anywhere within the arena of farm policy. Thus were the liberals for all intents and purposes "frozen out" of administrative aspect of farm policy.

Building upon this victory of the early 1930's, the Southern cotton interests, along with large-scale Midwestern farmers would become an important part of a "legitimized" agricultural power structure consisting of the Extension Service the land-grant colleges of agriculture, and the Farm Bureau, which would come to dominate not only the operation of the Department of Agriculture but the entire agricultural policy making process. Later, "agribusiness" corporations would also take an extremely significant part in this alliance of agricultural elites. Though the intensity of this domination has varied somewhat over time, as different men of varying party and ideological persuasion have held the office of the Presidency, and as different government agricultural agencies and farm organizations struggled for supremacy, the direction of this trend has remained steady and essentially unaltered. (One ^{Omit} early example of the political clout of this coalition of economic elites was the Farm Bureau-led campaign to destroy the Farm Security Administration.

The FSA had been created under the authority of the 1937 Bankhead-Jones Farm Tenant Act to carry on the duties of the Relocation Administration(RA) within a more stable administrative structure. The RA, of course, was the Roosevelt Administration's program specifically designed and implemented to aid the economic rehabilitation of those rural citizens, outside the mainstream of commercial agriculture, whose economic plight had been either worsened or only negligibly improved by the early New Deal programs for agriculture. Beginning in mid-1941, the

Farm Bureau with both covert and overt support from its allies commenced an organized attack against the FSA which in the words of a political scientist, Grant McConnell. "...has seldom been equaled for bitterness."²¹ The success of this lobbying effort is attested by the fact that by 1943 the FSA was already faltering and by the end of 1946 the agency was formally terminated. Those parts of the program which had been considered "good" by the Farm Bureau, (those which were not primarily aimed at aiding the rural poor, but rather were targeted for middle class rural citizens) were continued by a new agency, the Farmers' Home Administration.

It is to the ongoing process, typified by the destruction of the FSA which Professor Lowi refers when he describes agricultural policymaking as one of the more glaring examples of the trend in the U. S. toward the "...creation of private governments..." which have, "profoundly limited the capacity of the public government to govern responsibly and flexibly."²²

Evaluation of AAA's Economic Impact

It is difficult to determine precisely the over-all economic impacts of the direct subsidy program instituted under the Agricultural Adjustment Act of 1933, primarily because, based on the trends of earlier depressions, the economy should have been gradually making a natural recovery. Also, as more small farmers perceived that since they were using mostly their own labor and that of families, they could not reduce their costs by reducing the size of their planted acreages or cutting back on their livestock production, as large-scale operators using

hired labor could do, many of these small farmers either did not participate in the direct subsidy program or soon dropped out. As these small farmers saw it, their best hope for survival was still to maintain or increase output even though prices were very low.²³ Another intervening variable which must be taken into consideration was the great drought of 1934 which by reducing the production of farms by 5 percent or more added greatly to the AAA's efforts at production control.

There is little doubt, however, that for middle sized, but more especially large scale farm operations, which, because of their size and labor situation, and scale of production were able to take best advantage of program, the direct benefit payments as well as over-all farm price increases (due more than a little to the subsidy programs production control aspect) went a long way toward tiding them through the "hard times". ^{draft} (The size of the total rental and benefit payments under this initial subsidy program are illustrated in the following Table 3-2:²⁴

Table 3-2

Direct Subsidy Payments Under the First AAA

Year	Benefit and Rental Payments to Farmers
1933	\$ 131,000,000
1934	446,000,000
1935	<u>573,000,000</u>
Total	\$1,150,000,000

omit

Farm prices which had reached their lowest point in 1932 at a purchasing power index of 65 (the purchasing power of farm products during the period 1909-1914 = 100) improved slightly reaching an index figure of 70 in 1933. However, in 1934 the index jumped to 90 and by 1935 it had reached 109. In terms of cash receipts of farmers this amounted to an increase from a low of \$4.7 billion in 1932, to \$5.4 billion in 1934, and to \$6.8 billion in 1935.

Thus, the AAA's direct subsidy offered substantial benefits to the larger farm owners, and by contributing to the general rise of farm prices it helped smaller producers. There was one class of farmers however, as we mentioned earlier, which was dealt a cruel economic blow that carried with it tragic social consequences. This class of farmers, made up of tenant farmers and sharecroppers on southern cotton plantations, would as a result of the AAA subsidy program be harmed in three different ways. First, by calling for the reduction of so much cotton acreage, the program encouraged plantation owners to reduce the number of tenants and sharecroppers they employed. This action created an oversupply of wage workers available for cotton picking thus keeping wages extremely low and maintaining a high level of unemployment.

Second, by setting up a subsidy payment distribution system for cotton which gave all but a small share of the payments to the absentee plantation owners rather than the tenants and sharecroppers, the AAA made it more profitable to pay laborers in cash rather than with a share of the crop thus further con-

tributing to the displacement of already impoverished sharecroppers and tenants and their families.

Finally, in order to avoid distributing the small portion of the subsidy payments which by law were required to go to the tenants and sharecroppers, but not to wage laborers, the AAA encouraged owners to demote the workers they did retain from tenant or sharecropper status to that of wage hand. One survey conducted during 1935 by the University of Arkansas College of Agriculture showed the tremendous inequality present within the AAA's cotton subsidy program referring to "a very representative cotton farm", where the landlord's gross income increased from \$51,554 in 1932 to \$102,202 in 1934, while the average gross income for his tenants during this same period dropped from \$379 to \$355.

FOOTNOTES

Chapter III

¹Theodore J. Lowi, The End of Liberalism (New York: W. W. Norton and Company, Inc., 1969), p. 106.

²Theodore J. Lowi, "How the Farmers Get What They Want," in Legislative Politics U. S. A., ed. by Theodore J. Lowi (Boston: Little, Brown and Company, 1962), pp. 132-139.

³Basil Rauch, The History of the New Deal: 1933-1938 (New York: Creative Age Press, Inc., 1944), p. 40.

⁴Albert B. Genung, The Agricultural Depression Following World War I and Its Political Consequences (Ithaca: Northeast Farm Foundation, 1954), pp. 88-89.

⁵Rauch, op. cit., p. 68.

⁶Genung, op. cit.

⁷Rauch, op. cit., p. 69.

⁸Ibid.

⁹John L. Shover, Cornbelt Rebellion: The Farmers' Holiday Association (Urbana: The University of Illinois Press, 1965), p. 16.

¹⁰David E. Conrad, The Forgotten Farmers: The Story of Sharecroppers in the New Deal (Urbana: The University of Illinois Press, 1965), p. 33.

¹¹Shover, op. cit., p. 118.

¹²Conrad, op. cit., p. 22.

¹³John Major, The New Deal (New York: Barnes and Noble, Inc., 1967), pp. 68-69.

¹⁴U. S., Congress, House, Farm Relief and Agricultural Adjustments Acts (Washington, D. C.: U. S. Government Printing Office, 1968), p. 20.

¹⁵Conrad, op. cit., p. 38.

¹⁶Ibid., p. 105.

¹⁷Ibid., p. 114.

¹⁸Ibid., p. 105.

¹⁹Ibid., p. 106.

²⁰Donald H. Grubbs, Cry From the Cotton: The Southern Tenant Farmers' Union and the New Deal (Chapel Hill: The University of North Carolina Press, 1971), p. 20.

²¹Grant McConnell, The Decline of Agrarian Democracy (Berkeley: University of California Press, 1953), p. 97.

²²Lowi, (ed.) Legislative Politics U. S. A., op. cit., p. 139.

²³Benedict, op. cit., p. 312.

²⁴Ibid., p. 315.

²⁵Grubbs, op. cit.

Chapter IV

THE AGRICULTURAL SUBSIDY PROGRAM FROM

1935 THROUGH EARLY 1973:

A STUDY IN INCREMENTAL CHANGE

As is often the case with controversial legislation the Agricultural Adjustment Act of 1933 was not long in existence before its legal foundations were challenged by parties who perceived the act to be counter to their best interests. In this particular situation attention was focused on the clause of the AAA which provided for the funding of the subsidy program by levying a special tax on the processors of agricultural products.

The case in which the law was to be tested before the Supreme Court, United States vs. William Butler et al., Receivers of Hoosac Mills Corporation, had arisen from an action to collect the special "processing tax" from a cotton textile mill which was located in Massachusetts. After listening to lengthy oral arguments from both the plaintiff and the defendants and reviewing numerous written briefs submitted by several farm organizations and agricultural products processors acting as amici curiae the Supreme Court on January 6, 1936, declared that the Agricultural Adjustment Act of 1933 was indeed unconstitutional.¹ The position of the defendants--that the AAA processing tax was not a valid tax but rather an expropriation of money from one particular

economic group for the benefit of another--had been accepted. The Court clarified this point by explaining that the AAA benefit payments were not bona fide grants-in-aid (which were already accepted as constitutionally valid), but were made in pursuance of acreage control contracts which even if voluntary, were still regulatory in purpose. The Constitution did not specifically grant Congress the power to regulate agriculture and therefore according to Mr. Justice Roberts' majority opinion, "Congress has no power to enforce its commands on the farmers for the ends sought by the Agricultural Adjustment Act."²

The following is an excerpt from the majority opinion in which Justice Roberts presents the ratio decidendi in the case further elaborating the thinking of the Court:

...If in lieu of compulsory regulation of subjects within the states' reserved jurisdiction, which is prohibited, the Congress could invoke the taxing and spending power as a means to accomplish the same end, clause 1 of Section 8 of Article 1 would become the instrument for total subversion of the governmental powers reserved to the individual states...³

Development of an Alternative Approach

One would logically expect that as a consequence of this ruling the Administration and the Congress would have been forced to abandon the initial plans for regulating agricultural production or at least compelled to make major alterations in the AAA. That the Supreme Court's decision produced a feeling of shock among many of the "New Dealers" in the executive and legislative branches of the federal government there is no doubt. However moving swiftly to rescue a program which the bulk of its

most influential Southern and Midwestern members had a clearly observable interest in maintaining, the American Farm Bureau Federation called a special meeting of its National Board of Directors to formulate a strategy to deal with the problem.⁴ Here they settled upon a plan for maintaining the essential aspects of the old AAA by placing it under the protective umbrella of a soil conservation program. This plan was then presented before a national conference of farm leaders which had been convened by Secretary Wallace. After receiving a three-day consideration, the proposal was approved by a majority of the conference delegates, and the Farm Bureau prepared to bring their plan before the Senate in hearings that were being convened to decide what would be the appropriate reaction of the Congress to the Butler decision.

In the Senate hearings the views of the Farm Bureau were presented by Earl Smith, the President of the most powerful state Farm Bureau organization, the Illinois Agricultural Association. As had been the case in 1933, Smith presented the Farm Bureau program claiming to be a representative of the interests of all farmers and farm organizations.⁵ Despite the fact that the Farmers' Union and the Grange presented individual counter-proposals the Farm Bureau had little trouble gaining endorsement of their plan under which the old local AAA production control committees (which numbered over 4,000) would be consolidated under "county agricultural conservation associations." Grant McConnell explains that the Farm Bureau stood to gain in three ways from the transformation of this proposal into public policy.

First, administrative organization of the subsidy program would become general rather than being fragmented along commodity lines. Second, the administrative organization of the program would parallel local Farm Bureau structure. And third, the new program would allow for a good deal of substantive input at the local level from the Farm Bureau's "allies in the field," the County Agricultural Extension Service Agents.⁶

On January 20, 1935, aware that the effectiveness of the entire inventory of New Deal programs would be seriously jeopardized if the Agricultural Adjustment program were not rescued, President Roosevelt decided to support the Farm Bureau strategy for circumventing the judicial obstacle which had been placed in the path of the AAA. Speaking at one of his frequent press conferences he stated that the Soil Conservation Act of 1935 (which had been viewed by most observers at the time of its passage as being of relatively minor importance) could be broadened by amendment in such a way that would make possible the limitation of agricultural production. This goal could be accomplished by presenting farmers with subsidy payments in return for soil conservation practices which would be carried out on their individual farms. The prevention of erosion naturally necessitated interstate control and had been long accepted as being well within the constitutional powers of the federal government.

By amending the Soil Conservation Act to define the depletion of the soil resulting from the failure to rotate crops as a contributory factor in erosion the objectives of the original

AAA could be achieved. Technically under the new system there could be no contracts to limit production. Instead tracts of land would be leased to the federal government on the condition that during the term of the lease the cropland involved could not be used for growing soil-depleting crops. The new program also called for funding from the general fund of the U. S. Treasury to replace the legally objectionable processing tax. The proposal, brought before the Congress with the Presidential stamp of approval to supplement already solid legislative and interest-group support, was passed by large majorities in both houses and signed into law on March 1, 1936, under the title Soil Conservation and Domestic Allotment Act.

Rapid local organization facilitated by a high degree of cooperation among farmers at the county level across the nation made it possible to bring most of the 1935 crops under the jurisdiction of the new direct farm subsidy program. Thus the final outcome of the Butler Case in the context of legislative politics, was not the abrogation of acreage control efforts but rather the expansion of the scope the federal government's farm subsidy program to encompass the function of soil conservation which offered the means for permanently legitimizing a program which had ostensibly been created to fulfill only a temporary, emergency function.

Two points are worthy of note in relation to the legislative design and administration of this new farm subsidy act. First, it was written in such a way that the pattern of distribution of the program's financial benefits was very similar

to the pattern which had been built into the original act of 1933--skewed heavily in favor of the owners and operators of larger farms.⁷ For example, one of the first subsidy checks under this program went out to the Delta Pine and Land Company of Bolivar County, Mississippi in the Amount of \$60,388. This plantation, as the reader will remember from Chapter Two, was managed by the Head of the AAA's Finance Division, Oscar Johnston.⁸ Also during 1936, 116 additional farm owners received subsidy payments in excess of \$10,000 each under the program. The value of these benefit payments is made somewhat more meaningful when one considers the progressive lessening of the buying power of the dollar as reflected in the following Table 4-1, depicting the continual increase of the Consumer Price Index over the years since 1936:⁹

Table 4-1

Consumer Price Index 1935-1973

Dates	Consumer Price Index	Base Figures
1935	100	1935-1939 = 100
1947	153.1	1935-1939 = 100
1957	118.2	1947-1949 = 100
1967	114.7	1957-1959 = 100
1973	127.9	1967-1969 = 100

The other point of note regarding the 1936 subsidy program is the high level of Farm Bureau influence over the program's state and local committees. Out of the 169 members of the State Soil Conservation Committess in states with Farm

Bureau organizations 117 were Farm Bureau members. In these same states more than 90 percent of the county committeemen were Farm Bureau members.¹⁰

The Second AAA of 1938

Continuing to exert a great amount of political influence upon the process of farm subsidy policymaking which was beginning to take on incremental character, the Farm Bureau Federation was very active in the framing of another "permanent" act. Work on this act began at another national farm leaders conference called by Secretary Wallace in February, 1933. Ed O'Neal, the President of the American Farm Bureau with support from Earl Smith, was extremely vocal in his lobbying efforts both at this conference and at committee hearings which were subsequently held before both houses of Congress. When the Agricultural Adjustment Act of 1938 was passed by Congress and signed by the President on February 16, the Farm Bureau had accomplished nearly all its legislative objectives, and in so doing further solidified its position as the most politically powerful farm organization in the nation. In addition to the section providing for a voluntary acreage allotment direct subsidy program, the 1938 Act included provisions for soil conservation, commodity credit loans (which were in essence indirect subsidies), marketing quotas for non-staple produce, and crop insurance.

The bill also redefined in more precise terms the meaning of "parity" prices. According to the new bill parity prices were to "reflect current interest payments per acre on farm indebtedness secured by real estate, tax payments per acre on farm

real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period."¹¹ (The base period was 1909-1914). This statement contrasted with that in the 1933 Act which simply stated its price objective was to, "give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period."¹² So in terms of the AAA of 1938, if the interest payments and taxes on farm real estate and the amounts paid out for shipping expenses had risen more rapidly than the prices of commodities purchased by farmers, the effect of this "escape clause" in the new bill would be to increase the parity price level beyond that which would have been allowed under the original legislation.

Aside from the new basis for the parity calculation of prices and a provision for a new method of calculating allotments made to individual farmers however, this "Second AAA" was in general objective and thrust quite similar to the first Agricultural Adjustment Act. Two factors, one economic and one of a political nature, had been primarily responsible for creating a political climate which helped make it possible to avoid major alterations in the program. First, it had become obvious by the end of the drought-free, bumper crop year of 1937, that the Soil Conservation and Domestic Allotment Act of 1936 had failed to attain its goal of preventing the production of unmanageable agricultural surpluses. Partially as a result of this surplus production, agricultural prices declined by more

than 20 percent and gross farm income fell back to approximately \$10 billion.¹³ And second, with the retirement of Supreme Court Justice Sutherland who had possessed an abiding devotion to laissez-faire economics, and an indication of a new spirit of liberalism as expressed in several minor opinions during the new term, the threat of an adverse Supreme Court ruling on the new act was greatly reduced.

Coming of World War II--Changing Conditions

Whether the Agricultural Adjustment Act of 1938 could have dealt effectively with the central problems of commodity surpluses and the resulting decline of farm prices is a moot question. For with the coming of World War II and the tremendous increase in demand for American agricultural products surpluses were no longer a problem. Although during 1939 and 1940 farm prices remained fairly low, they began to rise precipitously in 1941. As the farm production index increased from 110 in 1940 to 113 in 1941 (base period 1935-1939 = 100) farm prices during the same period jumped by 25 percent.¹⁴

The long-term consequences of the rapid war-time rise in farm productivity and the old bugaboo of the low elasticity of demand for agricultural products were further postponed by the outbreak of the Korean War. The Korean conflict, bringing with it inflation and greatly increased worldwide demand for agricultural commodities, was an instrumental factor in temporarily reducing the oversupply of farm products which was beginning to develop in 1948 and 1949 in the form of a substantial buildup of stored commodities in the hands of the Commodity Credit Corporation.

However the buildup period was of sufficient duration to motivate President Truman's Secretary of Agriculture, Charles Brannan, to unveil a policy proposal which would have marked a fundamental change in farm subsidy policy had it been adopted.

The Brannan Proposal

The origin of the "Brannan Plan" has been attributed not only to the Secretary himself but other individuals and groups including the President of the National Farmer's Union, James Patton; the USDA's "planning" trio of the early New Deal era, Henry Wallace, Rexford Tugwell, and Alger Hiss; and the Congress of Industrial Organizations (CIO).¹⁵ This plan called for doing away with production and acreage control restrictions entirely and would have allowed farmers to sell their crops at free market prices. Then in order to bring farmers' individual incomes up to the desired level direct income support payments would be made by the federal government to the farmer in proportion to his share of the nation's total volume of output of domestically consumed, supported commodities. However the plan received strong opposition from those groups which did not want to give up support prices for each individual commodity and who felt that direct income payments such as those called for in the plan would be vulnerable to Congressional economy moves during lean years. The Brannan Plan was also opposed by some Congressmen who deemed the proposed income supports as simply too high.¹⁶ A leading figure in the fight against the Brannan Plan was Allan Kline, Ed O'Neal's replacement as President of the American Farm Bureau

Federation. Kline firmly maintained that the federal government should not be allowed to take on the responsibility for guaranteeing profitable prices to any economic group and that to do so would invite economic disaster.¹⁷ Finally, after a rugged political battle and as the war-caused increase in demand for farm goods referred to above began to occur causing swift increases in farm income the proponents of the Brannan Plan were forced to abandon their efforts. The process of agricultural elite-dominated incremental development in farm subsidy policy had been preserved.

Following the cessation of hostilities in Korea the specter of agricultural overproduction again returned to confront American farmers who for the same reasons expressed by Rexford Tugwell in his article written in 1924, "The Problem of Agriculture," (see Chapter One of this paper) were still unable to readily adjust production levels to bring them back into line with market conditions of substantially decreased demand. In the mid-1950's during the Eisenhower years as the supply of agricultural products so rapidly outpaced demand, the Administration chose to deal with the problem primarily by instructing the Commodity Credit Corporation to accept stocks of agricultural supplies in ever-increasing quantities in an attempt to supplement subsidy supported farm price levels. Following heated Congressional debate during 1954 some reductions in indirect price support levels were made. However this measure was ineffectual as CCC inventories of surplus farm commodities and loan portfolios continued to grow. While in June, 1952, CCC investments

in commodity inventories and price support loans had amounted to only \$1.3 billion, by June, 1955 they totaled \$6.7 billion. Near the end of the Eisenhower term the federal government's investment in surplus agricultural products would finally hit a peak of \$7.7 billion.¹⁸ In an attempt to halt the continuation of excessive agricultural production at subsidy-supported prices and this unacceptable buildup of CCC stocks the Agricultural Act of 1956 with a provision for a "Soil Bank" direct subsidy program was passed.

The Soil Bank was a special type of acreage control program which encouraged the setting up of long-term rental agreements between individual farm owners and the federal government whereby the farm owners would retire tracts of land from production and plant the retired acreage to trees or grass.¹⁹ The volume of acreage thus retired however was not sufficient to prevent the continued worsening of the overproduction dilemma. Cries of protest regarding this program's apparent "give-away" character were heard from many quarters. But probably most instrumental in bringing about the termination of the Soil Bank program were the inhabitants of the nation's thousands of small rural towns and their political representatives who observed their communities losing significant amounts of commercial revenue as many farmers simply rented their entire farms to the government and moved elsewhere.²⁰

The Kennedy Approach

Early in his administration President John F. Kennedy articulated a desire to implement a farm subsidy program which

would shift emphasis sharply away from continued CCC commodity purchases in favor of supply management programs with an eye toward raising farm income through the restriction of agricultural output. It was hoped that such a program would be not only more effective in controlling surpluses than the Eisenhower program but also less expensive. As had been the case during his campaign, President Kennedy's policy decisions regarding agriculture were heavily influenced by liberal economist-advisors such as J.hn Schnittker, Willard Cochrane, and John Galbraith and the leadership of the National Farmers' Union--a distinct departure from the practice of his predecessor.

Kennedy's program which called for drastically increased subsidy support levels, was passed and signed into law as the Agricultural Act of 1961, and the program was renewed in a slightly modified form as the Food and Agriculture Act of 1962. These programs which relied on direct federal payments as the means of purchasing output restrictions from farmers were, as the reader might have surmised, quite similar in general character to President Roosevelt's second AAA of 1938. During the latter part of Kennedy's tenure in office the administration even flirted briefly with the concept of compulsory controls on farm output. This move however brought an extremely adverse reaction from the leadership of the Farm Bureau Federation which reached an apex in the Farm Bureau's successful campaign in 1963 to defeat the yearly wheat productions control referendum. During this campaign which was aimed at convincing farmers to reject altogether production controls for wheat, the Farm Bureau Federation

following the lead of their national president, Charles Shuman, pitched a heavily financed and determined campaign to convince wheat farmers that a "yes" vote on the referendum would mean permanent and possibly even totalitarian government control

²¹ over farmers. On May 21, 1963, after the wheat farmers' votes had been counted the Farm Bureau had reason to celebrate. For the farmers had rejected production controls on a commodity for the first time since 1934. Thus the Kennedy administration was forced to continue to support the traditional type of farm subsidy program. (That this program was heir to the same sort of gross distributive inequity as the farm subsidy programs of the past is well illustrated by the 1963 data contained in the following Tables 4-2 and 4-3:²²

Table 4-2

Government Payments to Agriculture, 1963

Farms with sales	Distribution of farms (percent)	Government payments		
		Total (million dollars)	Per farm (dollars)	Distribution of total (percent)
\$20,000 and over	10.7	918	2,391	54.5
\$10,000 to \$19,999	16.6	398	670	23.6
\$ 5,000 to \$9,999	17.0	213	350	12.6
\$ 2,599 to \$4,000	13.0	80	173	4.7
Less than \$2,500	42.7	77	51	4.6
Total	100	1,686	472	100

Table 4-3

Increase in Income Required for Farmers
to Achieve Parity, 1963

Farm group	Increase in gross income required for parity
400,000 farms selling \$20,000 or more of products	2 percent
600,000 farms selling between \$10,000-20,000	10 percent
600,000 farms selling between \$5,000-10,000	34 percent
459,000 farms selling between \$2,500-5,000	75 percent

By analyzing the data in these tables the reader can readily see that in 1963 the farms which were producing the greatest dollar returns and incomes which were very close to the parity level of the 1909-1914 base period, were also receiving the lion's share of direct government subsidy payments. Thus in many cases these payments were still actually functioning as income supplements for the wealthy--further increasing the level of economic inequality in the agricultural sector of the economy and in rural areas of the nation. Despite the reimplementation of this sort of program ^{Don't} (CCC stocks continued to grow, though at a slightly decreased rate, throughout Kennedy's foreshortened presidential career which ended in 1963.²³

As President Johnson continued to support the Kennedy program through the end of 1964 the surplus problem began to come under control and farm income exhibited a significant increase as well. During the period from 1956 to 1960 the average farmer's income had been only \$2,832. Now by 1965 it had reached a level of \$3,749.²⁴ In keeping with his characteristic

political style of "not tampering with a good thing," President Johnson, following his landslide election victory in 1964, had little difficulty convincing the Congress to extend this same program for another five years. This extension was granted in the Food and Agriculture Act of 1965 which Johnson signed on November 3, 1965.

Farm Bureau--A Change of Tactics

By the late 1960's the political philosophy of the leadership American Farm Bureau Federation had shifted to the point where they now were pressing hard for the complete elimination of the farm subsidy program and a return of American agriculture to a "free market" economy. Possible reasons for this change are suggested by Samuel Berger in Dollar Harvest, a book which he had researched in association with the late Congressman from New York, Joseph Resnick. First, such a move would be advantageous to large agribusiness corporations which because of their tremendous non-farm assets would be easily able to stand this loss of subsidy income for an indefinite period of time and thus be in excellent position to purchase the holdings of small operators, many of whom without the subsidy payments, would find it impossible to meet costs of production, and thus be forced out of farming.

The fact that the interests of agribusiness corporations had also become by this time the interests of the Farm Bureau is aptly demonstrated by even a casual examination of the sorts of investments made by the Illinois Agricultural Association, the most powerful state Farm Bureau Organization. This Illinois

branch of the Farm Bureau through means of interlocking directorates, overlapping management, and ownership of class B voting stock effectively controls several large agribusiness operations. Included among these companies are the Illinois Milk Producers Association which represents the producers of 90 percent of the grade A milk marketed in Illinois; the Prairie Farm Dairy Coop which had sales in 1968 totalling \$37 million; the Illinois Grain Corporation, one of the largest grain-marketing enterprises in the country with sales of more than \$170 million a year; and the Interstate Producers Livestock Association which also has in excess of \$170 million in annual sales and is the largest livestock marketing association in the United States.²⁵ Also the reduction in numbers of farmers which would accompany the elimination of farm subsidy programs would be concentrated among small farms, generally outside the Farm Bureau constituency. As the Farm Bureau correctly perceived, the elimination of many small farmers could only result in an increased influence of Farm Bureau over agricultural policy legislation.

The significance of the above information in the context of the agricultural policy process becomes clear when one considers the outcome of a meeting on October 23, 1968, late in the presidential campaign of Richard Nixon and one of his chief advisors, Bryce Harlow with in the Farm Bureau's President Shuman and Secretary-Treasurer Roger Fleming. At this meeting Nixon pledged to be "more sympathetic" to Farm Bureau agricultural policy proposals during his term in office. The Nixon administration

lost little time in beginning to lay political groundwork to make good this pledge early in his first term. However, accepting the advice of his first Secretary of Agriculture, Clifford Hardin, the President acceded to a three-year extension (with slight modifications) of the Kennedy-Johnson program.

The main difference between this first Nixon program which was passed by Congress as the Agricultural Act of 1970, and the 1965 Act, was the imposition of \$55,000 per year limit on the amount of direct subsidy payments which could be paid by the federal government for the production of wheat, feed grains, or cotton crops on individual farms. Also the new act would manage their land under the voluntary acreage control programs for different commodities. As Charles L. Schultze, pointed out in the Brookings Institution study, The Distribution of Farm Subsidies, the provisions for the \$55,000 direct payment ²⁶ did not significantly alter the pattern of subsidy benefit distribution by broad economic classes. As always the benefit distribution pattern would continue to be tipped heavily in favor of large scale agricultural producers. One important reason for the ineffectiveness of the \$55,000 payment limit was that it allowed large-scale farmers the option of subdividing their holdings into several farms and drawing maximum benefits on each one of them. Most owners of large operations were quick to take advantage of this loophole. One particularly interesting example of this sort of maneuvering is the case of the famous movie star, John Wayne. The "Duke", who owned a large cotton producing farm in Arizona, simply divided his farm into five

smaller "farms", established their separate identities by naming each one after a recent movie in which he had starred, and continued to collect total subsidy payments well in excess of \$55,000.

So despite the fact that the Nixon administration as early as 1971 had articulated a desire to eliminate farm subsidies, by the end of the three-year time span attached to the 1970 Agricultural Act which continued in force through the early months of 1973 had not undergone any fundamental changes since the days of Franklin Roosevelt and his Secretary of Agriculture, Henry Wallace.) Thus the development of the agricultural subsidy program appears to be an almost textbook-like example of incrementalism in public policy which Thomas Dye speaks of as "a continuation of past government activities with only modifications of quantity or value."²⁷ *point*

Dye sets forth several reasons why public policies often follow incremental patterns such as that typified by the example of farm subsidies.²⁸ First, limits of time, intelligence, money, and technological capabilities prevent policymakers from investigating all possible alternative policies and tends to force them to accept policies which have proven their ability to at least "get by". Another reason for this type of decision-making is that policymakers prefer to accept the legitimacy of previous policies whose short-term consequences are fairly predictable, rather than shoulder responsibility for any possibly harmful effects which might result from implementing a new or different policy. Third,

heavy investments in existing programs, or as these investments are often referred to "sunk costs", may retard any fundamental policy alterations. These sunk costs may take many forms including physical, economic, organizational, and administrative.

The nature of a multi-polar political power structure often without precisely agreed-upon societal goals or values also mitigates against radical policy changes. For agreement among political opponents upon disputes over budget increases and decreases or program modifications are much easier to develop than agreement on questions of major policy shifts which very often are framed in terms of "all or nothing" decisions.

In the policy process as it regards agricultural subsidies all of these sorts of considerations have probably had some effect at one time or another in preserving the status quo. At any rate the assertion of Arthur Ekirch, that "the basic ideas behind the AAA have changed little and remain in general the foundation of the federal government's present day agricultural policy" continued to ring with an air of unchallengeable authority through the 1972 crop year.²⁹

FOOTNOTES

Chapter IV

¹ David E. Conrad, The Forgotten Farmers: The Story of Sharecroppers in the New Deal (Urbana: University of Illinois Press, 1965), p. 203.

² U. S. vs Butler, 297 U. S. 1 (1936).

³ Ibid.

⁴ Grant McConnell, The Decline of Agrarian Democracy (Berkeley: University of California Press, 1953), p. 77.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid., p. 78.

⁸ Ibid.

⁹ This table is based on data from all volumes of the U. S. Bureau of Labor Statistics' Consumer Price Indexes between 1945 and 1973 which are published in Washington, D. C. by the U. S. Department of Labor.

¹⁰ McConnell, op. cit.

¹¹ Murray R. Benedict, Farm Policies of the United States, 1790-1950: A Study of Their Origins and Development (New York: Octagon Books, Inc., 1966), p. 376.

¹² Ibid.

¹³ Ibid., p. 365.

¹⁴ Ibid., p. 114.

¹⁵ Reo Christenson, The Brannan Plan: Farm Politics and Policy (Ann Arbor: The University of Michigan Press, 1959), pp. 18-19.

¹⁶ Marion Clawson, Policy Directions for U. S. Agriculture: Long-Range Choices in Farming and Rural Living (Baltimore: Johns Hopkins Press, 1968), p. 326.

- ¹⁷ Christenson, op. cit., p. 151.
- ¹⁸ Charles L. Schultze, The Distribution of Farm Subsidies: Who Gets the Benefits? (Washington, D. C.: The Brookings Institution, 1971), p. 11.
- ¹⁹ Clawson, op. cit., p. 208.
- ²⁰ Ibid., p. 64.
- ²¹ Don F. Hadwiger and Ross B. Talbot, Pressures and Protests: The Kennedy Farm Program and the Wheat Referendum of 1963 (San Francisco: Chandler Publishing Company, 1965), p. 265.
- ²² Charles Hardin, "Policy Problems: A Political Scientist's View," The Journal of Farm Economics, (December, 1965), p. 1105. ←
- ²³ Clawson, op. cit., p. 210.
- ²⁴ Schultze, op. cit.
- ²⁵ Samuel R. Berger, Dollar Harvest: The Story of the Farm Bureau (Lexington: D. C. Heath and Company, 1971), pp. 67-70.
- ²⁶ Schultze, op. cit., p. 12.
- ²⁷ Thomas R. Dye, Understanding Public Policy (Englewood Cliffs: Prentice-Hall, Inc., 1972), p. 31.
- ²⁸ Ibid.
- ²⁹ Arthur A. Ekirch, Ideologies and Utopias: The Impact of the New Deal on American Thought (Chicago: Quadrangle Books, 1969), p. 110.

Chapter V

AN ANALYSIS OF THE PATTERN OF ECONOMIC BENEFIT DISTRIBUTION OF THE AGRICULTURAL SUBSIDY PROGRAM IN RECENT YEARS

Thus far in this study the analysis of the distributive character of the farm subsidy program has been presented only in rather gross terms and only as it related to the political history of the program. This sort of information is essential background material for anyone interested in ascertaining how the subsidy program has evolved to its present form. Also it provides more than adequate grounds for concluding that over time the pattern of benefit distribution of the program (as a reflection of the political self-regulation of American agriculture by its own economic elites) has been tilted heavily in favor of large-scale agricultural producers.

This type of analysis however, is not viewed as being of primary value by those policy makers at the federal level who are most concerned with the issue area of farm subsidies. These groups and individuals usually either already realize that an inequality does exist, and desire to remedy the situation, or are aware of the inequality, but because of their relationships with the agricultural elites, have preferred to maintain, as nearly as possible the status quo. It is unlikely that those federal policy makers who belong to the second of these descriptive

categories can be moved to remedial legislative action relative to farm subsidies by even the most exhaustive analysis of the distributive inequality which has been exhibited by the farm subsidy program. But those rural-oriented policy makers who are honestly determined to make changes along this line, in order to do so effectively, must be able to present a convincing case for change to those policy makers who represent primarily urban constituencies and who may be wavering on the fringes of either of the above groups or those who have taken no position on the issue, feeling they have no direct interest in it. It is the Congressmen who seek subsidy reform, and their supportive constituencies who might profit greatly from a specific and fairly precise, yet readily understandable measure of the degree of farm subsidy inequality.

This type of evaluation provides a basis for speaking with some feeling of authority in response to such policy questions as "How does the pattern of benefit distribution of the farm subsidy program compare with that of other federal programs?", "Is there a correlation between geographic locations and the degree of inequality in the farm subsidy program, and, if so, what is the nature of this correlation?", or "Has the degree of inequality present in the program been significantly reduced as a result of recent legislative action such as the implementation of the \$55,000 limit in 1970?" Though certainly no guarantee of success in itself, such an analysis would seem a primary prerequisite for alerting to the significance of the problem those uncommitted policy makers around whom (by virtue of the decreasing number of

agriculturally-oriented congressmen) any strategy of farm subsidy reform must be structured. Also such an analysis would be extremely helpful in providing answers to the initial questions of those uncommitted congressmen, which would most likely be very similiar to those cited on the preceeding page.

In this chapter the reader will first be presented with a view of the pattern of benefit distribution of the farm subsidy program from a national perspective based mainly on an analysis of data from the mid-1960's which was carried out by the economist James R. Bonnen. Bonnen's findings were presented in the first volume of a compendium of papers submitted to the Subcommittee on Economy in Government of the Joint Economic Committee during the first session of the Ninety-first Congress in 1969 under the title, The Analysis and Evaluation of Public Expenditures: The PPB System.

Then turning to a more geographically specific focus an analysis of the pattern of benefit distribution of the major portions of the farm subsidy program which apply to the state of Kansas will be examined. The findings in this portion of the chapter are the results of my own research efforts and are based on USDA benefit payment data for 1972. So as the reader can see the over-all analysis of this chapter offers the opportunity for comparison of economic benefit distribution patterns of the subsidy program not only on a temporal continuum, (i. e., the time lapse from the mid-sixties to 1972), but from a geographical perspective reflected by the national and state level studies as well.

In order to draw meaningful comparative conclusions about the distributive aspect of a particular public policy it is necessary not only to examine data of a like nature, but to employ a comparable methodology. For this reason the analysis of the farm subsidy data for the state of Kansas is made through the employment of the same simple statistical tool, the Lorenz Curve-Gini Index, which was used by Bonnen in his national level study.¹

Distribution From the National Perspective

In his study of the distributive pattern of the farm subsidy program from the nationwide perspective Bonnen examines the distribution of both direct government subsidy payments and that of indirect price support benefits for all the major commodities--sugar cane, sugar beets, cotton, rice, wheat, feed grains, peanuts, and tobacco. In addition he also analyzes the benefit distribution pattern of another aspect of the federal farm subsidy program, the Agricultural Conservation Program (ACP).

The main purpose of the portion of the Bonnen study with which we are concerned was to determine the degree of concentration of benefits of the agricultural subsidy program among large-scale farmers by analyzing the correlation of farm size to the amount of direct and indirect subsidies distributed among all the nation's farmers. In his computation of national patterns of subsidy benefit distribution Bonnen used USDA data on acreage allotments as his farm size variable. The assumption here was that the quantity of benefits distributed is proportional to acreage allotments and that as allotments increase so do subsidy benefits.

Bonnen's findings summarized in Table 5-1 exhibits a clear concentration of benefits among the large-scale producers--the lone exception to this rule being the ACP.

In a budget recommendation early in his first term, President Nixon recommended the abolition of this program. Congress however, has continued to support it with annual appropriations.² Currently, the President and the Congress are locked in a struggle over the abolition of REAP, the outcome of which is still uncertain.

Table 5-1

Farm Subsidy Distribution Pattern, 1963-1965

Program Benefits (Source and Year)	Farm Size						Gini Ratio
	Lower 20%	Lower 40%	Lower 60%	Top 40%	Top 20%	Top 5%	
Sugar Cane, 1965	1.0	2.9	6.3	93.7	83.1 16.9	63.2 36.8	0.799
Cotton, 1964	1.8	6.6	15.1	84.9	69.2	41.2	0.653
Rice, 1963	1.0	5.5	15.1	84.9	65.3	34.6	0.632
Wheat, 1964	3.3	8.1	20.4	79.6	62.4 37.6	30.5 69.5	0.569
Feed Grains, 1964	1.0	4.9	17.3	82.7	56.1	23.9	0.565
Peanuts, 1964	3.8	10.9	23.7	76.3	57.2	28.5	0.522
Tobacco, 1965	3.9	13.2	26.5	73.5	52.8	24.9	0.476
Sugar Beets, 1965	5.0	14.3	27.0	73.0	50.5	24.4	0.456
Ag. Conservation Program, 1964	10.5	22.8	40.3	59.7	36.6	13.8	0.271
Averages	3.8	10.6	23.1	76.9	56.4	29.2	0.519

Except for three cases--sugar beets, feed grains, and the ACP--benefits of the farm subsidy program were even more highly concentrated among large-scale farm owners than was farm income itself. This fact is graphically illustrated by a comparison of the data presented in Table 5-1 and that of Table 5-2 which are also based on Bonnen's study. One can determine by such a comparison that while the top 5 percent of farmers in terms of farm size received 20.8 percent of the nations farm income during 1963, they received anywhere from 24.9 percent of the subsidy benefits for sugar beets to 41.2 percent for cotton and 63.2 percent for sugar cane. On the other hand while the smallest 20 percent of the nations farms' received only 3.2 percent of the farm income, in the case of most commodities they received an even more minute share of the benefits of the farm subsidy program. Although it is true that the comparison made here cannot be viewed as precise because of the slightly different time periods from which the data contained in Tables 5-1 and 5-2 were collected, the overriding degree of inequality implied by the comparison is still obviously a very close approximation of the reality of the distributive pattern of the farm subsidy program on the national scale.

Table 5-2

Comparison of Farm Size and Farm Income, 1963

Farm-Owners Total Money Income	Lower 20%	Lower 40%	Lower 60%	Top 40%	Top 20%	Top 5%	Gini Ratio
1963	3.2	11.7	26.4	73.6	50.5	20.8	0.468

Benefit Distribution--Kansas, 1972

Shifting the focus of our inquiry, let us now examine the distributive pattern of the farm subsidy program as it was reflected by the distribution of benefits among Kansas farmers in 1972. Because of limitations of time and resources the scope of this study will be limited to the analysis of the degree of inequality evidenced by the pattern of distribution of direct subsidy payments to farmers rather than including an analysis of the pattern of indirect price support benefit distribution as was done in the Bonnen study. Another difference between the analysis of 1972 Kansas data and that of the entire nation during 1963-1965 is that while Bonnen employed acreage allotments as his farm size variable, I have chosen for the farm size variable in my study, the more summarized base of average size (in acres) per farm-per county. This alteration however, really represents only a minor deviation from the larger study. For following Bonnen's assumption that acreage allotments are proportional to the quantity of benefits distributed, I have made the assumption that acreage allotments are roughly proportional to the number of acres per farm. This change was facilitated by the fact that when the five major urbanized counties were dropped from the analysis to avoid distortion of the analysis of farm subsidy distribution at the county level, exactly 100 counties remained eligible for analysis. Going further than Bonnen in another respect I have gathered and analyzed through the use of the Gini Index-Lorenz Curve methodology not only the correlation between farm size and the amount of direct subsidy payments received, but between the

value of farm production and the amount of direct payments; and the correlation between the value of farm land and buildings and the amount of direct payments. Although several technical differences exist between the Bonnen study and the Kansas study, in all cases care has been taken that these points of divergence not be of a type which would mitigate against the comparability of the analyses and findings.

Total direct government subsidies paid to Kansas farmers in 1972 amounted to \$247,488,102. This amount was distributed through the following programs in the smaller amounts listed: wheat, \$137,162,665; feed grains, \$99,457,984; REAP, \$6,452,000; CAP, \$1,106,000; sugar beets, \$1,362,030; Great Plains Soil Conservation Program, \$1,000,000 (an approximate figure); wool and unshorn lambs, \$927,423.³

An excellent rough indicator of the level of concentration of direct farm subsidy benefits among large-scale farmers is the number of payments in excess of \$20,000 in the counties of the region in which one is interested. In nearly every case, farming in counties with large numbers of such payments will be characterized by a relatively small number of farms which are well above median size. The state of Kansas offers no exception to this rule. When the county-by-county breakdown of direct farm subsidy payment for Kansas for 1972 are examined one finds that while only 70 of the 100 Kansas counties under consideration contain farms receiving payments over \$20,000, these payments appear to be concentrated mostly in the western part of the state where large farms are the norm. Upon closer

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Figure 5-3

WHEAT--Bushels Produced by Counties in Kansas--1971
Rank of First Ten Counties Shown by Number Within County

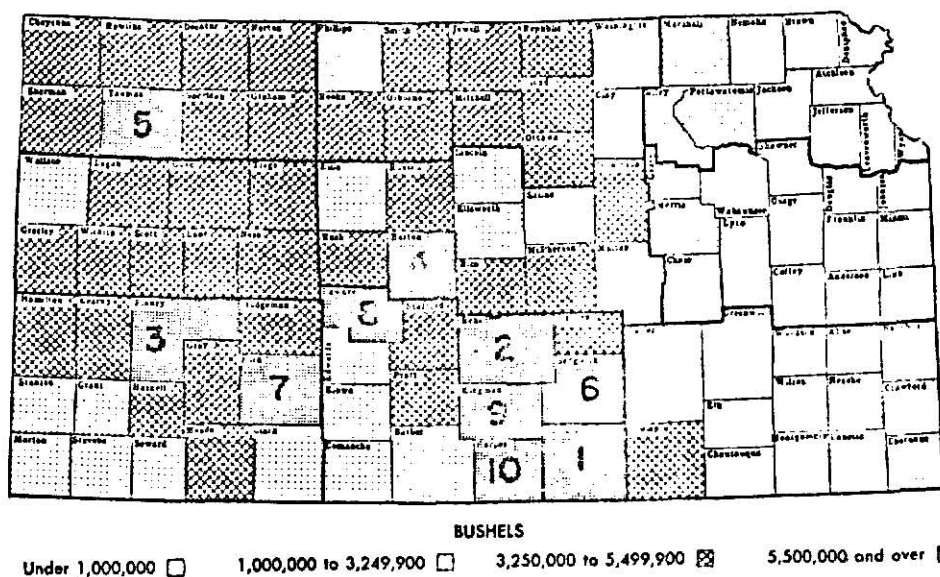


Figure 5-4

SORGHUM GRAIN--Bushels Produced by Counties in Kansas--1971
Rank of First Ten Counties Shown by Number Within County

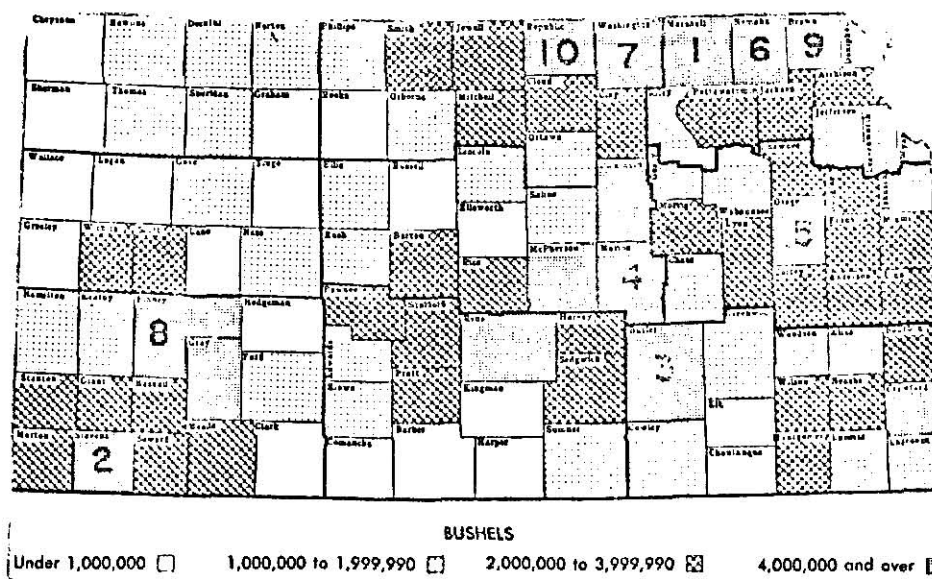
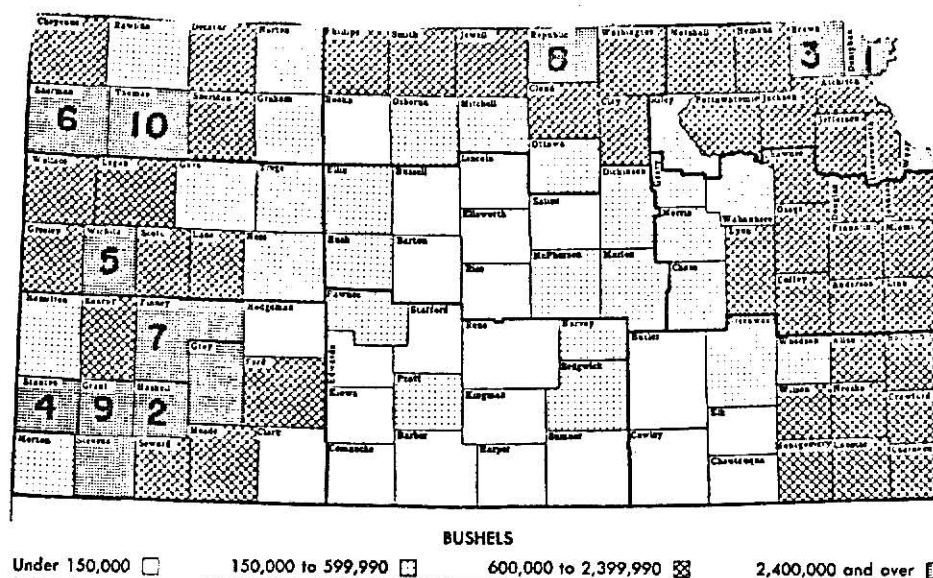


Figure 5-5

CORN GRAIN--Bushels Produced by Counties in Kansas--1971
Rank of First Ten Counties Shown by Number Within County



It is interesting to note that of the following list of the top ten recipients of direct subsidy payments in the state during 1972, all but one, Herman Bott of Washington County, owned or operated their farms within the 19 county west central and southwest Kansas area:⁵

1.	Garden City Company, Finney County	\$109,680
2.	Carl N. Brollier, Stevens County	94,098
3.	L & M Steel Farms, Greeley County	81,359
4.	E. A. Baalman and Sons, Sheridan County	74,717
5.	Kleyman Brothers, Greeley County	74,019
6.	Haskell Land & Cattle Company, Haskell County	73,457
7.	Jaeger Farms, Wichita County	70,296
8.	Herman Bott, Washington County	68,924
9.	Paul J. Brown, Haskell County	65,489
10.	GHJ Farms Ltd., Stanton County	64,374

One can readily see that the home counties of a large share of the recipients of direct payments over \$20,000 are located in an

area where farms are extremely large, but where total, area-wide production (except for corn grain) is only about average in comparison to other areas in the state. Thus, it can be concluded that as far as the major commodity crops in Kansas are concerned a large share tax dollars used to finance the farm subsidy program is going not so much to restrict total farm output as was originally intended, but is functioning as an income supplement for a relatively small number of large-scale landowners and large-scale farm operators.

Having viewed the distribution of farm subsidy benefits in Kansas through the application of this rather rough, yet revealing methodology, let us now examine the distributive pattern of the farm subsidy program in the state during 1972 by employing the more accurate Lorenze Curve-Gini Index methodology used by Bonnen and described earlier in the chapter.

Table 5-3

Correlation of Subsidy Payments to Farm Size--
Kansas, 1972

Farm Size	Lower 5%	Lower 20%	Lower 40%	Lower 60%	Top 40%	Top 20%	Top 10%	Top 5%	Gini Index of Inequality
Direct Farm Subsidy Payments	2%	6%	15%	29%	71%	45%	25%	13%	0.739

Table 5-4

Correlation of Subsidy Payments to
Value of Farm Lands and Buildings--
Kansas, 1972

Value of Farm Lands and Bldgs.	Lower 5%	Lower 20%	Lower 40%	Lower 60%	Top 40%	Top 20%	Top 10%	Top 5%	Gini Index of Inequality
Direct Farm Subsidy Pay- ments	.8%	5%	14%	25%	75%	53%	30%	15%	0.721

Table 5-5

Correlation of Subsidy Payments to
Value of Agricultural Production--
Kansas, 1972

Value of Agricultural Production	Lower 5%	Lower 20%	Lower 40%	Lower 60%	Top 40%	Top 20%	Top 10%	Top 5%	Gini Index of Inequality
Direct Farm Subsidy Payments	.8%	5%	17%	29%	71%	41%	27%	17%	0.680

The purpose of this part of the study is to determine the degree of inequality of the distributive pattern by determining the level of correlation between the amount of subsidy payments over \$10,000 per county with the per county variables of farm size, value of farm lands and buildings, and value of agricultural production. As illustrated by the findings of this study depicted in Tables 5-3, 5-4, and 5-5, a high degree of inequality was indicated in all three categories.

In terms of farm size, the top 5 percent of the sample universe received over 6 times the amount of direct subsidy payments received by lower 5 percent, while the top 20% received over 7 times the amount distributed to the lower 20%. Since both value of farm lands and buildings and value of total agricultural production generally tend to be derivatives of farm size, the correlations between these two variables and the direct payments constant was very similar to that exhibited by the farm size-payment analysis. Indeed the Gini Index of inequality for the value of land and buildings-direct payments correlation, 0.721 and that exhibited by the value of the agricultural production-direct payments correlation, 0.680, did not vary significantly from that of the farm size-direct payment index of inequality which was 0.739.

Based upon the analysis of this chapter it would seem to be very clear that at least through the 1972 crop year, the pattern of subsidy benefit distribution for the major commodity crops in Kansas is very supportive of the primary hypothesis of this thesis. This hypothesis stated in formal terms is as follows:

Although, ostensibly enacted as a politically acceptable method for providing economic relief to depression-plagued farmers, the agricultural subsidy program has, over the years, functioned as a means for further maximizing the economic leverage enjoyed by large-scale agricultural producers over their smaller-scale counterparts, and has thus further increased levels of economic inequality within the agricultural sector.

As was explained at the outset of this paper the United States has reached a point where 70% of its people are packed into spaces which taken altogether equal only about 2% of the country's total land area. The social, political, and economic consequences associated with this depopulation of rural America and the resultant urban overcrowding are legion.

Within the urban environment this ever-increasing population pressure has certainly heightened the seriousness of such problems as unemployment and underemployment, increased crime rates, and the general overloading of urban health, welfare, and educational facilities.

The quality of life in small town America has suffered too, as tens of thousands of service-oriented small businesses have been forced to close their doors as large percentages of their patrons have joined the outmigration stream.

As a result of a growing awareness of these and other dysfunctional impacts of rural outmigration, political demands are not being articulated from many quarters for the creation and implementation of government-supported rural development policies and programs. These political demands call for programs aimed at reasserting the socially beneficial functions of a repopulated and economically revitalized rural America based on a system of dispersed agriculture.

Yet what is the value of designing new programs which are directed toward allowing people to remain in the countryside and motivating others to return to the rural areas, while we still

support a farm subsidy program, which by virtue of its obvious distributive inequality encourages the very trends toward economic concentration which these new programs would seek to reverse?

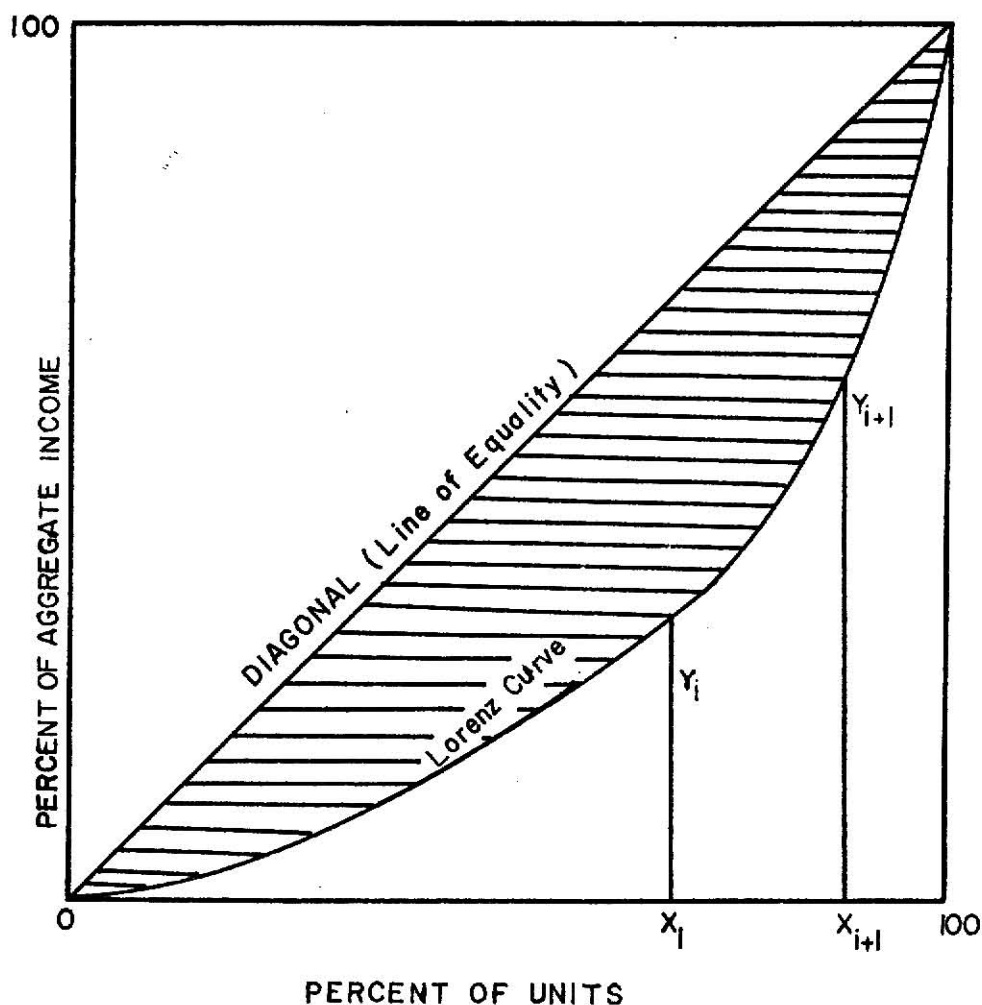
The urgent need for reform of the farm subsidy program and other similar agriculture program cannot be overemphasized.

FOOTNOTES

¹Methodological Note--To obtain a graphic representation of the level of distributive inequality of an economic benefit distribution such as that exemplified by the agricultural subsidy program, one must first array the units (such as farm size, farm value, or farm production value in the present case) in descending orders of per unit income (subsidy benefits here)* and then calculate the cumulative percentages of the aggregate populations and the aggregate income. The plotting of these data results in a Lorenz Curve as illustrated by Figure 5-1.

Figure 5-1

Lorenz Curve Explanation



The shaded area between the diagonal and the curve is a reflection of the magnitude of the inequality of the income (subsidy) distribution. The larger the shaded area is, the greater is the existing inequality. To facilitate precision in the comparisons of the inequality of income distributions among different populations at different times and in different places, or to compare the effect of alternative programs on the patterns of income distribution it is convenient to have a quantified measure of the degree of inequality. The Gini Index is just such a measure. The Gini Index is defined as the ratio of the area between the diagonal and the Lorenz Curve to that of the total area beneath the diagonal. The Gini Index formula may be derived as follows, using the notation in Figure 5-1:

$$\text{Gini Index} = \frac{\text{Area Between Curve and Diagonal}}{\text{Area Under Diagonal}}$$

Since each axes of the Lorenz Curve is cumulated to 100 percent, the area in the square bounded by the axes of Figure 5-1 can be defined as 1 (one), and the area under the diagonal as 1/2. Thus the definition, may be written:

$$\begin{aligned} \text{Gini Index} &= \frac{1/2 - \text{Area Under Curve}}{\text{Area Under Diagonal}} \\ &= \frac{1/2 - \text{Area Under Curve}}{1/2} \\ &= 1 - 2 (\text{Area Under Curve}) \end{aligned}$$

Assuming that the distance between any two points on the curve can be approximated by a straight line, the area under any segment of the curve can be defined as:

$$(X_{i+1} - X_i) \frac{Y_i + Y_{i+1}}{2}$$

Summed over all intervals, the area under the curve is:

$$\sum_i^k (X_{i+1} - X_i) \frac{Y_i + Y_{i+1}}{2}$$

Substituting in the expression for the Gini Index above, one obtains the algebraic expression that was used in computing the Gini Index for Bonnen's study as well as my own. It reads as follows:

$$\begin{aligned} \text{Gini Index} &= 1 - 2 \sum_i^k (X_{i+1} - X_i) \frac{Y_i + Y_{i+1}}{2} \\ &= 1 - \sum_i^k (X_{i+1} - X_i) (Y_i + Y_{i+1}) \end{aligned}$$

The more closely the Gini Index figure approaches 1.000 the more unequal is the income distribution under observation. A Gini Index of 0.000 would represent a completely equal distribution. For purposes of evaluation, any Gini Index figure of 0.400 or more is usually considered to be an example of substantial distributive inequality.

²Charles L. Schultz, The Distribution of Farm Subsidies: Who Gets the Benefits? (Washington, D. C.: The Brookings Institution, 1971), p. 14.

³Wichita Eagle-Beacon (Wichita, Kansas), April 20, 1973, p. 1.

⁴Kansas State Board of Agriculture, Kansas Farm Facts, 1971-1972 (Topeka: Kansas State Printer's Office, 1972), pp. 34F-35F.

⁵Wichita Eagle-Beacon (Wichita, Kansas), April 20, 1973, p. 10A.

Chapter VI

Farm Bill 1973

A Major Turning Point -- But Which Direction?

On August 11, President Nixon brought to an end a period of high political suspense by signing into law a new farm program entitled The Agriculture and Consumer Protection Act of 1973. Two separate factors were primarily responsible for the air of uncertainty which surrounded this piece of legislation until its final enactment. First, while it became clear at a very early stage that most members of the Senate and the House of Representatives were in agreement on the necessity of producing a new program to replace the 1970 Act and also were able to agree upon most of the substantive elements which should be included in such a bill, a very definite question existed whether the remaining differences of opinion could be ironed out before the August recess scheduled to begin on August 12. Some of the major sticking points in Congress included disagreement about what levels the new "target" price support levels should set; whether or not a cost-of-production escalator clause should be included; whether cotton producers should be subjected to the same sorts of strict subsidy payment limitations as producers of the other staple commodities; and whether food stamp benefits should be extended to families of workers involved in labor strikes.

The second and more salient reason for the questionable destiny of the new bill was reflected by the belief of many observers that the bill would be unable to elude the President's rather active veto pen. As the bill had been taking shape in the Senate Agriculture and Forestry Committee, the House Agriculture Committee, and in Conference Committee, it seemed to be at variance in several key respects with the general proposal initially outlined by the Administration. The Nixon Administration had revealed its position on the farm bill through testimony by Secretary Butz before both the Senate and House Agriculture committess. With the exception of a demand for the reinstatement of the "Soil Bank", Butz called for getting government out of agriculture to as great an extent as possible and as quickly as possible in order to motivate farmers to move rapidly toward maximum production levels. Some of the details of the Administration plan are included in the following list:¹

1. Termination of all "income supplements." Butz defined as "income supplements" all direct farm subsidy payments where there are no set-aside [acreage limitation] requirements.² [This was essentially a call for cutting off all direct subsidy payments. For, previous to the passage of the new farm bill Butz announced that for the coming year of 1974, he was exercising his Secretarial prerogative to eliminate all set-aside requirements.]
2. Readoption of the old "Soil Bank" general cropland retirement program which had been employed during the Eisenhower terms. (See Chapter Four, p. 89).
3. Removal of the 75% parity minimum price support for manufactured milk.
4. Removal of minimum price supports for wool and mohair.

5. Review of tobacco, rice, peanuts, and extra long staple cotton programs with an eye toward liberalizing the lease and sale of acreage allotments of these commodities. [The liberalization demand is again designed to facilitate maximum production levels.]
6. Elimination of the controversial issue of subsidy payment limitations by simply eliminating all subsidy payments.

On several occasions, the President had made known both through Secretary Butz and House Minority Leader, Gerald Ford (R-Mich.), that if the congressional bill did not comply with Administration guidelines it was doomed to a certain death. Emphasis was added to these warnings when the President on June 13, stated in a nationally televised speech that if Congress refused to comply with his demands and insisted upon sending him a farm bill that he considered "inflationary" he would certainly veto it.³ That President Nixon had the votes to uphold a veto was never in doubt.

Yet in the end the President signed a bill which was very much different from that for which he had asked, stating that while the new law "falls short of the high standards I have set for reforming farm legislation and eventually moving the government out of agriculture, . . . it does provide a constructive framework for encouraging the expansion of farm production."⁴ Nixon went on to say that while he did not recommend the new concept of farm subsidization set forth in the law, it marked a "constructive compromise" which would "encourage full production and dampen inflationary pressures without risking a market disaster for America's farm families as they respond to new demands."⁵ Secretary Butz in a rather remarkable turnabout

exhibited his now famous "team player" attitude by echoing the President's new message but in much more glowing terms, endorsing the new program as representing an "historic turning point" in American farm policy, marking shift away from the restriction of farm output and a move toward "all out production."⁶

At this point many significant questions present themselves. First, since the Congressional bill did differ in many important respects and since he was assured of enough votes to make his veto stick, why did President choose not to make good his threat? Or, is it possible that the Administration had been employed the veto threat as part of preconceived strategy to gain as many concessions as possible from the Congress? On another tack, how much influence, if any, did other current political events and developments have upon the President's decision to accept the bill? For instance, did the need to present a productive, business-as-usual image to counteract the rumor of a paralysis of the national government stemming from the Administration's preoccupation with the Watergate Scandal enter the picture? Did the record-breaking price levels for wheat brought about in large part by the Russian Wheat Deal make a difference? Did the fact that the major farm organizations, who usually find it extremely difficult to agree on major agricultural legislation, were in fairly solid agreement with the new bill's provisions* have an effect? (See Note 1 and 2 on the next page).

All of these questions are in need of study and discussion, and in-depth research directed at finding the answers would likely

yield much interesting and useful data. In addition such research would aid greatly in placing the new agricultural subsidy program in proper political-economic perspective. However in order to adequately treat with such questions more time, resources and page-space than is available for this chapter would be necessary. Therefore the remainder of this chapter shall be concerned with two more modest and basic yet no less significant issues which call for elucidation of a somewhat less speculative character. First we shall delineate the more prominent provisions of the new subsidy program and attempt to briefly explain their meaning. And second we shall examine the more notable aspects of the development process of legislative give-and-take which the Agriculture and Consumer Protection Act underwent as it moved on its journey through the halls of Congress.

The Farm Bill's Content and Meaning

The most significant element of the new program is its provision for the implementation of the concept of "target"

*Note one: The lone exception to this consensus was the leadership at the national level of the American Farm Bureau Federation. But they were not very active in their opposition to the bill for fear of angering the large percentage of their state and rank-and-file membership with whom the bill was popular.⁷

*Note two: The National Farmers' Union fought for the passage of the bill throughout its progression through the Congress, but technically withdrew its official endorsement of the law upon final enactment because, according to the organization's national President, Tony Dechant, "... we became convinced that excess commitments lowering target price levels and weakening the escalator clause were made under the threat of presidential veto."⁸

prices which in effect act as minimum income supports for producers of the staple crops. In principle this marks the acceptance of the "Brannan Plan" for farm subsidization which was first proposed in 1949 by President Truman's Secretary of Agriculture, Charles Brannan, but which was unable to gain the necessary political backing at that time. (See Chapter Four, p. 87 and 88.) The target prices which form the core of this new approach to farm subsidies are set by the law for the crop years of 1974 and 1975 at \$2.05 per bushel for wheat, \$1.38 per bushel for corn, and 38¢ per pound for cotton. Target prices for grain sorghum will be set in proportion to corn, as will the price for barley if the Secretary of Agriculture should decide to include it in the subsidy program.

The mechanics of this provision work thus: If the average market price of the supported crops received by farmers during the first five months of the marketing season (for cotton, it will be the average price during the entire calendar year during which the marketing year begins) is below the applicable target price, the government will pay the farmer a direct subsidy equal to the difference, if any, between the market price received and the higher target price. It is well to remember however, that while this plan is in principle the same as that originally proposed by Secretary Brannan, it is different to the extent that the target prices called for by the 1973 Act are significantly lower in relative terms than those for which Brannan asked.

This scheme for farm subsidization offers the distinct advantage over its predecessor that during years of relatively high commodity prices the amount of federal tax money used to pay farmers direct subsidies is greatly reduced. For example, according to Secretary of Agriculture Butz, the cost of the 1972 agricultural subsidy program for basic crops amounted to approximately \$4-billion.⁹ Under the new program it is estimated by the USDA that the cost for the 1973 crop year will drop to \$500 million or even lower.¹⁰ On the other hand a possible flaw in this approach is the potential for huge, open-ended costs to the taxpayer, if unmanageable surpluses and sharply lower farm prices should ever recur.

A second important element of the new farm program and one which is closely related to the target price concept is the cost-of-production "escalator clause". According to this provision, for the crop years of 1976 and 1977, target prices on wheat, feed grains, and cotton will be adjusted upward in proportion to increases during 1973 and 1974 in all of the farmer's major cost-of-production items. These will include such things as fuel, machinery, motor vehicles, interest rates, wages, taxes, seed, etc. There will however, be a subtraction from the value of these cost-of-production items of the average per-acre productivity increases during the period 1972-1974. This adjustment will be made before the adjustment is made in the target price.¹¹

If for example the costs of producing wheat during 1975 increase by 8% and the per acre yield of wheat increases an average of 2% per year during 1973-1975, then the 1976 target price will be

increased by 6% from \$2.05 per bushel to \$2.17 per bushel. So in a sense, the farmer has gained a provision which will benefit him in a way which is quite similar to the cost-of-living increase clauses built into most present-day labor union contracts.

Another important aspect of this new subsidy program is the clause which calls for direct payments (if any are made) to be payed on a farmer's entire allotted acreage. Before planting time every year it is the duty of the Secretary of Agriculture to announce the number of acres of each commodity necessary to meet both the domestic and export demands for the United States. (By law, this base acreage figure for cotton cannot be less 11 million acres for any one year). This nation-wide acreage figure for each supported commodity will then be allocated among states, counties, and individual farms in proportion to allotments effect under the set-aside program or, if there are no set-aside requirements, in proportion to historic allotment bases.¹²

This same clause also contains an insurance feature to provide further economic protection to farmers. If as a result of "natural disasters" such as flooding or drought, a farmer is unable to harvest any portion of his wheat, feed grain, or cotton allotment, or is able to harvest less than two-thirds of his normal crop, he is eligible for government payments at the higher of either the actual direct subsidy rate in effect at that time or one-third of the applicable target price. Thus if the average price received by farmers for wheat in 1974 is at or above the \$2.05 per bushel target price, so that no payments are made to wheat farmers who sell in the market place for at least \$2.05,

those farmers prevented from planting because of natural causes would receive 68¢ per bushel (1/3 of \$2.05) on his estimated yield.

A fourth provision of the Agriculture and Consumer Protection Act places a \$20,000 per person total limit on the amount of subsidy payments which may be received by farmers under the wheat, feed grains, and cotton programs. This development marks a distinct departure from the \$55,000 per crop payment limitation of the 1970 Act. However some loopholes in this segment of the bill do exist. First, the \$20,000 limitation will not be applicable to any portion of the farmer's payment determined by the Secretary of Agriculture to be necessary for "resource adjustment" to bring total supply in line with current demand. Also there will be no reduction of subsidy payments in cases where allotments are sold or leased.¹³ Thus it is difficult to determine in advance what the effect of this clause will be upon the level of distributional inequality in the overall subsidy program. It seems likely that the tremendous advantage which larger farming operations have enjoyed in this regard will be markedly reduced.

The new bill also calls for an increase of the 1974-1977 ^{omit} government price support loan program levels from \$1.25 to \$1.37 per bushel for wheat, and on corn from \$1.00 to \$1.10 per bushel. For cotton, the increase will be from 19.5¢ to 22¢ per pound.¹⁴

The price support for manufactured milk will be increased to 80% of parity for the years of 1973 and 1974. After that,

however, the statutory minimum support level will revert to 75% of parity, as was the case under the 1970 Act.

Although it does not pertain directly to the subsidization of farm products, another important feature of the new farm bill, and one which sets it apart from any previous programs, is its requirement that all exporters of wheat, wheat flour, feed grains, oilseeds, cotton, and any other commodities (which are produced in the U. S.) the Secretary may designate must report to the office of the Secretary on a weekly basis, information on the type, class, and quantity of the export commodity, the marketing year of shipment, and the destination if it is known.¹⁵ Reports from the various individual exporting firms will remain confidential. However the Secretary is required to publish summary figures each week following the week of reporting except in cases where the supply of any commodity available in the U. S. is clearly in excess of both domestic and export demands. At such times the Secretary is required only to provide public reports on a monthly basis.¹⁶

The development and inclusion of this provision is the result in large part of the continuing political scandal touched off by the recent "Russian Wheat Deal". In this export transaction six major grain exporting firms in cooperation with certain USDA officials negotiated a pact with the Soviet Union in which 400 million bushels were purchased by the Soviets for approximately \$1 billion. Immediately after the announcement of this transaction to the public the price of wheat rose precipitously. However the public announcement was not made until after many wheat farmers in Texas, Oklahoma, Kansas, Nebraska, South Dakota,

Colorado, and other Plains States had sold their crops at relatively low prices, leaving many of these farmers with much lower profits than would have been theirs if they had had access to the type of information required by the new farm bill.

Some other provisions of the law are included in the following list:

1. Extension of wool and mohair programs for four years with the same support prices contained in the 1970 Act--72¢ per pound for wool and 10.2¢ per pound for mohair. [Remember, Butz had called for the total elimination of these subsidies.]
2. Revision and Extension of the food stamp program for four years, including a provision that food stamp benefits be adjusted every six months to keep up with rising costs of foodstuffs.
3. Extension of the Food For Peace (P.L. 480) program for four years.
4. Suspension of the "bread-tax" levied upon processors of wheat and which has traditionally been passed on to consumers in the form of higher bread prices.
5. Contains a new permanent, long-range conservation program with authorization for federal cost-sharing and grant assistance.

Many other provisions of lesser significance are included in the new act also. However, in summation, the portion of the Agriculture and Consumer Protection Act which sets it apart from not only the 1970 Act, but from all the farm subsidy programs of the last 40 years--breaking the continuous chain of incrementalism--is the application in principle of the Brannan approach which in effect supports farm incomes at minimum levels rather than directly supporting farm prices.

The Legislative Process

The new farm subsidy bill provides a fascinating study of the complex interplay of the many forces--the special and

and party interests, cross-pressures, and in the end compromise--which so often characterize the legislative process. More specifically it demonstrates that at least in cases where important sectional economic interests are at stake in an issue of national import, old party alliances, often viewed as fast-crumbling relics of the past, can be very decisive factors.

As had been expected, Senator Herman Talmadge's (D-Georgia), Senate Agriculture and Forestry Committee moved in fairly rapid fashion to produce the Senate proposal for the new bill, S. 1888. Shortly after the committee's proposal was reported out, the bill was passed by a 78 to 9 margin on Friday, June 1. No serious or unexpected problems had developed during the three days of debate which had preceded its passage, as each attempt to kill or weaken the new target price concept was defeated with relative ease. An Administration-backed amendment to phase out "income supplement" payments for wheat, cotton, and corn was introduced by Senator James Buckley, (R-N.Y.). It was defeated by a 80 to 14 margin.

In the House of Representatives however, the development of a House proposal was achieved with less speed and much greater difficulty. On July 11, Representative Robert H. Michel (R-Illinois) introduced an amendment which, like Buckley's proposal, incorporated the Administration's original 1973 farm proposals. The difference in the House of Representatives however, was that a great deal more Administration pressure was brought upon the legislators. Minority Leader, Gerald Ford, (R-Michigan) warned his colleagues in no uncertain terms that they must support

Congressman Michel's amendment, going as far as to state that, "If the Michel amendment does not prevail...any bill that comes from this body and is combined with that of the other body, does not have a prayer of being approved by the White House."¹⁸ After heated debate the House defeated the proposed amendment by a 186-220 margin.¹⁹

The next log-jam developed as the House members seemed unable to come to agreement on whether to include two specific provisions. The first disagreement centered around the question of whether a clause prohibiting the distribution of food stamps to the families of workers while the workers were participating in a strike should be inserted. The second point of contention was whether cotton farmers should be required to abide by the same strict \$20,000 per person limitations which applied to producers of other staple commodities. Finally, it was decided by the House leadership that both the above provisions should be included in the House version, even though the first was unacceptable to the powerful forces of organized labor and the second was highly objectionable to the politically potent "Big Cotton" interests of the South. The rationale here was that these problems could be worked out more effectively in the Senate-House Conference Committee. So on July 19, the House of Representatives voted for a farm bill 226 to 182.²⁰

As it turned out the final farm bill which was agreed to by both the House and the Senate and sent to the President did provide for food stamps for strikers and their families and slight easing of requirements for cotton producers. This outcome

was by no means foreordained, as it required all of the political acumen and interest group and party cohesion which could be generated by two "old pros" in the field of agricultural politics--the conservative W. R. Poage, Chairman of the House Agricultural Committee (D-Texas) and liberal Hubert Humphrey (D-Minn.) with help from such skillful legislators as Representative Robert Bergland (D-Minn.), Foley (D-Wash.), and Vanik (D-Ohio).

As time was rapidly running out late in the day and both houses were due to adjourn for the month-long August recess, Poage decided the time was right to employ his strategy for disposing of the one final hurdle which remained in the path of the farm bill--the anti-striker controversy. As a result of this effort, this problem was resolved and the way was cleared for the President's signature which, by this point in time Secretary of Agriculture Butz had promised to deliver.

That the Poage strategem was successful is tribute not only to his own knowledge and shrewd application of the finer points of parliamentarism, but to his ability to fashion and maintain with aid from Senator Humphrey and Congressman Bergland a congressional coalition of southern conservative Democrats and northern liberal and labor Democrats. When the votes were needed to break the deadlock, they were there, built upon a solid foundation of economic self-interest reminiscent of that upon which the New Deal had been based. Southern Cotton Democrats were able to return to their constituents with a farm subsidy program which they could live with and northern liberal and labor-backed Democrats were well satisfied also with the Act's

provision granting food stamp benefits to the families of workers even if the workers were engaged in a strike.

Representative William Dickinson (R-Alabama) had fought hard in floor debate for an amendment to prohibit the distribution of food stamps to strikers. The essence of his argument was that providing food stamps to strikers amounted to government interference on the side of unions. Dickinson placed emotional emphasis on this point by further stating that the issuance of food stamps in such cases, "strikes at the very heart of free collective bargaining."²¹

Dickinson's arguments were countered immediately by Thomas Foley (D-Washington) and Charles Vanik (D-Ohio). Foley replied that food stamps were "a basic government service, available to all whose income is cut off, regardless of reason," and that Dickinson's "...real purpose was to break strikes by putting pressure on workers' families."²²

Congressman Vanik's position was that it is unfair to penalize women and children for strikes. "When we talk of starving a family into submission on a legitimate strike issue, I think we are suggesting one of the meanest kinds of inhumanities to come on the American scene."²³

Speaking in strong support of Dickinson's proposed amendment, Congressman Silvio Conte (R-Mass.) opined that "It is time for the Congress to enact a farm bill without allowing secret tradeoffs...and parliamentary ploys that block the will of the majority. It is time we stopped selling the consumer down the river to make a handful of fat cat corporate farmers

even richer."²⁴ Though the logic behind Conte's second remark was never clarified, it was soon forgotten as Chairman Poage brought his strategy into play.

First he offered a motion to accept the Senate version of the farm bill which contained no anti-striker provision, but which had by now been brought into agreement with House-established target prices and slightly eased restrictions on cotton farmers. Along with this motion he also offered an amendment which was in itself only a request that farmers be urged to produce as much as possible. Although this amendment was in effect legally meaningless, after it was passed no other amendments could be offered. For, with help from Congressman Bergland, Chairman Poage was able to get the House with a vote of 349-54 to order the previous question on Poage's motion. This maneuver guaranteed that the farm bill had to be voted up or down without allowing any more amendments to be made.

Then the time had come for party lines to be drawn. The House vote was 252 to 151 in favor of the motion. Republican congressmen voted against the measure by more than a 2-1 margin. However, a nearly solid bloc of northern Democrats had joined forces with unusually solid majority of Southern Democrats to carry the day.²⁵ The farm bill had at last been passed and could now be sent to the President for his signature!

What are the implications for the future of the enactment of The Agriculture and Consumer Protection Act of 1973? It is difficult to even formulate an educated guess. When he signed the bill, President Nixon made it very clear that to him the bill

represented a compromise far short of his long-term goal of ending farm subsidy programs. Yet after explaining to the press that the National Farmers' Union had withdrawn its official endorsement of the Act because of the lowered target prices and a weakening of the escalator clause, Tony Dechant, National President of NFU stated that, "the new law...and new concepts afford an opportunity to build upon and improve this legislation into sound farm programs for years ahead."²⁶

One thing seems certain. Both of these views cannot be accepted at the same time. The next farm bill which will not be enacted until 1978 will probably go a long way toward determining if President Nixon's plan will be accepted or whether we have actually embarked on a new era of incrementalism in the area of farm subsidies with the "Brannan Plan" as its foundation.

Chapter VI

Footnotes

¹"Nixon Farm Policies Revealed," National Farmers' Union Washington Newsletter, Vol. 20, Number 11, March 30, 1973, p. 2.

²"Farm Bill Signed," Los Angeles Times, April 11, 1973.

³"House Agriculture Committee Reports Farm Bill," Congressional Quarterly, Weekly Report, Vol. XXXI, Number 27, July 7, 1973, p. 1827.

⁴"Farm Bill Signed, Output Stressed," Washington Post, April 11, 1973, p. 2.

⁵"President Signs Farm Bill, Ending Price Subsidies," New York Times, August 11, 1973, p. 1.

⁶"Farm Bill Signed, Output Stressed," op. cit., p. 1.

⁷"Back to Brannan," The New Republic, July 23, 1973.

⁸"Final Wrap-Up on the Farm Bill," National Farmers' Union Washington Newsletter, Vol. 20, Number 25, August, 1973.

⁹"Brannan Crop Plan Now Reality," New York Times, August 11, 1973, p. 40.

¹⁰Ibid.

¹¹"Final Wrap-Up on the Farm Bill," op. cit.

¹²Ibid., p. 2.

¹³"Congress Passes Farm Bill, Drop Anti-Striker Clause," Congressional Quarterly, Weekly Report, Vol. XXXI, Number 32, August 11, 1973, p. 2220.

¹⁴Ibid.

¹⁵"Final Wrap-Up on the Farm Bill," op. cit., p. 3.

¹⁶Ibid.

¹⁷"Senate Passes Farm Bill," National Farmers' Union Washington Newsletter, Vol. 20, Number 19, June 8, 1973, p. 1.

¹⁸"The Farm Bill: A Delicate Compromise Collapses," Congressional Quarterly, Weekly Report, Vol. XXXI, Number 28, July 14, 1973, p. 1921.

¹⁹Ibid.

²⁰"In Spite of Itself, The House Passes a Farm Bill," Congressional Quarterly, Weekly Report, Vol. XXXI, Number 29, July 21, 1973, p. 2011.

²¹Ibid., p. 2023.

²²Ibid.

²³Ibid.

²⁴Ibid.

²⁵Ibid.

²⁶"Final Wrap-Up on the Farm Bill," op. cit., p. 1.

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U. S. AGRICULTURAL SUBSIDY POLICY AND
PROGRAMS

by

SCOTT FRANCIS SHELLEY

B. A., Kansas State University, 1972

AN ABSTRACT OF A MASTER'S THESIS

submitted in partial fulfillment of the

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1973

Since the early 1920's there has existed in the United States a steadily accelerating decline in the number of farms, while the average size of remaining farms has increased sharply. As is well documented in agricultural and social science literature, this trend has had tremendous economic, and political impacts. Whether these impacts are viewed in a positive or negative light depends to quite an extent on one's socio-economic perspective and values. Regardless of one's position in relation to this question, however, it would seem that all interested parties could derive benefit from a study of U. S. Government agricultural policy designed with an eye toward determining what, if any, linkages might exist between this policy and the long-standing trend toward agricultural dislocation.

In order to stay within the somewhat arbitrary parameters imposed by the master's thesis, it is necessary to place limits on the scope of such an inquiry. For this reason, the primary focus of this paper will be directed toward an examination of the origins, development over time, and the pattern of economic benefit distribution of the federal government's agricultural subsidy policy. It is the author's contention that the inception and development of this program, by virtue of its being the first major direct intervention of the federal government into agriculture, set the tone for much of the subsequently enacted agricultural policy. Thus, by acquainting oneself with the evolution of this program, one is enabled not only to gain an understanding of the substantive character of the agricultural

subsidy program, but, also to lay a foundation from which further study of other agricultural-related public policy may be launched.

In Chapter 1, the reader is introduced to the general policy problem area with which the study is concerned. Also, a case is made for the value of political science research first in the field of policy analysis and then more specifically in the area of agricultural public policy. In Chapter 2, the more salient political-historical origins of the direct payment farm subsidy program are set forth and elaborated. The dynamics of the political struggle surrounding the proposed enactment and implementation of the Agricultural Adjustment Act of 1933 (the first federal farm subsidy program) are examined in Chapter 3.

In Chapter 4, the incremental development of U.S. farm subsidy policy between 1935 and early-1972 is the focus of study. An analysis of the pattern of economic benefit distribution of the subsidy program is made in Chapter 5. Here, a good deal of quantitative data is analyzed through the application of a fairly elementary, yet very revealing statistical technique, the Lorenz Curve-Geni Index of Inequality.

The concluding chapter is primarily a legislative case study of the recently enacted Agriculture and Consumer Protection Act of 1973. This law contains a type of farm subsidization program which in principle marks a rather radical departure from the type of farm subsidy policy which has existed over the past 40 years. For in effect, it calls for federal support of farm incomes rather than farm prices.

Many themes and sub-themes are set forth and explicated in this work. It is the following central hypothesis which provides necessary cohesion:

Although ostensibly enacted as a politically acceptable method for providing economic relief to depression-plagued farmers, the agricultural subsidy program has, over the years, functioned to further maximize the economic leverage enjoyed by large-scale agricultural producers over their smaller-scale counterparts, and has thus further increased levels of economic inequality within the agricultural sector.