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Agricultural Policy
THE REALITIES FACING SECRETARY BENSON

By C. Clyde Mitchell
Chairman, Department of Agricultural Economics
University of Nebraska

With a great deal of reluctance Secretary of Agriculture Benson has recently announced price supports on butter and wool. His entire philosophy lies in the opposite direction, to do away with price supports. A statement made by Mr. Benson about a year ago in a magazine article went something like this: that American agriculture should now throw away its "crutches" and get back to a free competitive market. Later statements by Mr. Benson have followed the same line. His first "General Statement on Agricultural Policy" after he took office, and his answers to his first Press conference questions included such statements as these: "Farmers should not be placed in a position of working for government bounty rather than producing for a free market." . . . " . . . price supports can be used effectively to protect farmers against undue disasters, serious price declines," . . . "We would like to see the farmer get 100 per cent of parity in a free market." . . .

With respect to the present drop in agricultural income, he said: "We have always had periodic emergencies," . . . "Basically the situation is sound."

Congress undoubtedly has some ideas quite different from those of Secretary Benson. Benson and some of his top-level administrators talk as if the people of America last November elected something called the free-enterprise system, or the free-competition system. Yet if out of the slim Republican majority in House and Senate the Republican congressmen are subtracted who have expressed the opinion that they want price supports continued at 90 or 100 per cent of parity, and these numbers are added to the Democrats who are similarly on record for price supports, it becomes evident that for agriculture at least, the "free-competition system" did not win the last election at all.

Just what is this free competition system we hear so much about? And why do our farm Congressmen trust it so little that even the Republican leadership in Congress repudiates Secretary Benson's statements on agricultural policy within forty-eight hours of his recent St. Paul speech? The problem is made difficult by the fact that much economics teaching in America is faulty, whether it is the formal economics teaching in the colleges or the informal type that is frequently employed by the newspaper columnists and radio commentators. According to such over-simplified theories of economics, any attempt to control economic forces through governmental action, or any attempt to subsidize economic life through government assistance is wrong. It is bad, wasteful, immoral, and actually unholy! Why? Because FREE COMPETITION, assumed to be the great regulator of all human activities, guarantees that everybody in our America will, in working for his own personal profit, automatically "as if guided by an unseen hand" do the best possible thing for society. (Within the logic of such over-simplified economic idea was the politically unfortunate statement that what was best for General Motors was automatically best for America)
Farmers have for some time recognized that something was wrong with this argument. They have long realized that the prices of the things they bought were seldom if ever determined according to the rules of free and perfect competition. Farmers have found that they were better off under a "supported economy" of some sort than they had been in the past. They apparently preferred the supports even though it sometimes meant that their production and marketing took place under various controls and limitations. However, during all this time, many of them seemed to feel guilty about accepting the supports. According to their teaching they had been led to believe that they were participating in "uneconomic" and "unnecessary" activities. "After all," they were always told, "competition is supposed to distribute the greatest possible amounts of goods to the greatest possible number of people, at the best possible price, so that everybody is completely happy!" So the American farmers went on benefiting from governmental actions, producing more and more of the good things we need (and sometimes even too much, at "reasonable prices"), and feeling guiltier and guiltier about the whole thing.

Of course, the answer is that farmers should not feel guilty at all. The economic system we operate under this Twentieth Century is not an economy in which free and perfect competition automatically distributes the benefits of our society in the most perfect manner possible. Our economy is an economy of modified competition, controlled competition, imperfect competition. Our economy is full of controls and subsidies of one sort or another, private as well as social or governmental.

If we should set out to abolish all social and governmental controls, we would not get a society without controls. We would merely get a society in which private interests could exercise their controls more and more strongly. Subsidies would still exist too, even if we should abolish direct subsidies to farming.

There are hidden subsidies all through our economic system, most of them so old we have forgotten when they started. Tariffs, patents, trademarks, "Fair Trade Acts," agreements among manufacturers and merchants to maintain a certain "established price,"—all these things grant subsidies to certain private groups in our society which they can not get if our system were truly free and competitive. I am not one who says, as Secretary Benson has said, that all other groups should give up their monopolies, their subsidies, and their controls. A realistic study of the complexities of the American mass-production system, of American big business, of American big organized labor movements, of the production efficiencies that can be achieved when prices and costs and markets do not fluctuate wildly, must lead anyone to recognize that the American system can never be as flexible and "competitive" as some people now seem to want farmers to be. The answer is not to "go back" to the uncontrolled and perfectly competitive system of our simple economics textbooks—America could not go back if it wanted to. We probably do not want to anyhow. If we really "went back to free competition," we would have to abolish all tariffs, all trademarks, all patents, all large-scale industry, all labor organizations, all fair trade laws, and get our America broken up into household-size enterprises. Bigness, mass-production, true 20th Century efficiency is simply not compatible with perfectly free competition. Modified competition, powerful interest groups, and governmental action are essential parts of America today. There is nothing wrong with this—the main thing wrong is for us to judge it by old-fashioned ideas of economics which
can't give answers to modern questions such as those involving modified competi-
tion and competing power groups.

If we recognize our society for what it is, a complex society where
economic controls are going to continue to be exerted, then we can consider sens-
ibly the obvious question: who is going to do the controlling? Farmers, who is
goin to control your income? Are you willing to let the people who set the
price of the things you buy be the only ones who control your net income, or are
you going to have a hand in it by having some say-so about the price of the
things you sell?

Let me review briefly a few of the things that government controls have
helped farmers achieve that free competition would probably never have allowed:

(1) Agricultural Credit. Before 1929, farmers had been traditionally
required to pay exorbitantly high interest rates, and the availability of ade-
quate credit was dependent to a great extent on the city money markets. For more
than two decades, governmental action has made it possible for farmers to borrow
adequate capital funds at sensible rates. The free competitive money market
would never have accomplished this veritable revolution in capital availability
that has enabled American agriculture to become the best equipped and most
productive in the world. When you consider "returning" agriculture to the free
market (whatever that might be) consider how a free market might provide the
credit supplied at low rates in the recent past by the Farm Security Administration
(Now the Farmers Home Administration), National Farm Loan Association, Banks for
Cooperatives, Production Credit Association, and agencies that supplied credit
for housing and for repairs after floods and other disasters. Finally, don't
forget that rural banks are protected from runs and failure now by the Federal
Deposit Insurance Corporation.

(2) Agricultural Research. Effective research in the modern world is
ordinarily an expensive proposition. Government action established tremendously
productive research organizations, which gave farmers various powers they would
not have been able to achieve in the free market.

(3) Expansion of Food Markets. Government action has sponsored school
lunches, food-stamp schemes, in-plant lunches, surplus disposal plans—all of
which have served to introduce better food in better varieties to people who
thereby become better customers for the product of America's farms. The free
competitive market, depending on price as the sole regulator, could never have
accomplished what action and educational programs have accomplished.

(4) Price and income supports, crop loans, and their associated produc-
tion restrictions have undoubtedly added to the ability of many farmers to face on
fairly even terms America's industrial economy, in which control over price and
output has long been exercised by private groups. Whether these programs have
worked well enough or not, or have been too costly or not, is a highly debatable
subject. My argument is not on the question of whether they are completely wise
or not, but whether they have "worked" to increase the market power of many
American farmers. I think they obviously have, and that a "free" market in
agriculture would never have allowed farmers to gain power to offset industrial,
professional, and labor power in this real world.
(5) Conservation cannot be left to the "free" market. Indeed, too great freedom has undoubtedly led to the denuding of our forest areas and the erosion of our top soil. Governmental action, demanded by all our citizens, both farm and city people, has aided our nation to conserve its resources.

(6) Efficient marketing of the products of millions of farm producers has demanded such governmental action programs as market agreements and orders, inspection and sanitation regulations, import and tariff controls, international commodity agreements, market news and reporting services, and hundreds of other methods of controlling some of the market conditions which farmers face. It is difficult to conceive that "free competition" would have furnished such things.

(7) There are hundreds of additional examples not fitting into any of the above categories, but nevertheless important to farm people. For example, road building and improvements, the REA, flood control, the huge irrigation programs, watershed and river basin development, assistance to cooperatives—all of these things have resulted from governmental action to do things that free competition would never have done.

In all these examples, it must be remembered that governmental action taken has been at the request of the American farmers themselves and other citizens affected. Indeed it has seemed at times that the only way farmers could achieve a position of power, roughly equivalent to those positions of power farmers faced, was to ask government to take action. Here, however, let me get in a small endorsement for another great American institution, that of cooperation. As a consumer, I do not like for my life to be controlled more and more by private owners of tremendous wealth and economic power. I am highly suspicious that what is good for General Motors is very often not at all good for me. But is the only alternative to this the indefinite extension of governmental controls into more and more of our economic life? Fortunately for America there are other ways, and one of the best is the way of cooperation.

If we assume our nation is going to continue to produce just about the way it has done in the past, and distribute its production more or less the same way, and demand an ever-increasing level of living, as it has done in the past, then our nation is not going to be a nation of "free competition"—ever! It is going to continue as a nation of bigness, of power groups—we are going to continue to have BIG BUSINESS, BIG GOVERNMENT, BIG LABOR. They are going to keep more or less the same relative place they have held in the past few years in America. To live and operate in such a world, Agriculture has to continue to exercise market control and market power whenever it finds that "competition" is too one-sided and agriculture is suffering.

Wherever competition exists and is free enough to govern economic activity "correctly" for America's welfare, it should be allowed to do so. Wherever it is significantly modified by the existence of market power on the part of private groups, it has to be countered to some extent, or the group without power will suffer. Wherever the counteracting power can be set up through group action of private Americans, that should be considered, because that is often a good way to avoid building a bigger and bigger government. But wherever private group action, in planning, in buying or selling, cannot work to suit the Americans who face private power groups, they are completely justified in asking their government to help them with action programs.
Secretary Benson is rapidly learning some realistic economics. He will soon realize that the many government action programs agriculture has set up for itself in recent years are not "crutches" but are essential parts of the American system. Other segments of America's productive society exercise elements of power over the price and output decisions of their enterprise, power through tariffs, trade marks, patents, trade union organizations, trade associations, price fixing agreements, and hundreds of other ways. To be consistent Secretary Benson would have to call those things "crutches" for American labor professional groups, and business. Incidentally, if they are crutches, I wonder how a prospective Secretary of Commerce could get the Senate to confirm him if he said, "Now is the time for American Industry to throw away its crutches"?