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Economists and the Agriculture and Consumer Protection Act of 1973

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When President Nixon signed the Agriculture and Consumer Protection Act on August 10, 1973, he said:

> The law represents a realistic compromise between the Congress and the Administration on a number of important economic issues. . . . The effect of this bill is to set up a new system of price guarantees for American farmers. . . . This new law is good for the consumer, good for our growing domestic economy, and helpful to our foreign trade balance.[1]

On the same day, Secretary of Agriculture Earl L. Butz, in a press conference, said:

> I think this bill represents an historic turning point in the philosophy of farm programs in the United States . . . after 40 years, in a wilderness of contradiction . . . we see the promised land. This is the land of full production, the land of higher profit levels for our farmers. . . . We would like to move in the direction of our farmers getting their income from the market-place. I think this bill moves in that direction.[2]

Although there are important differences between earlier legislation and the present act in the approaches to assure farmers reasonable prices for their products, the major distinction is the

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1. 9 Pres. Doc. 976 (Aug. 13, 1973).
2. 3 WASH. AGRICULTURAL REC. 1222-24, 26, 32 (Aug. 22, 1973).

one suggested by Secretary Butz—the fundamental difference between reducing production and maintaining or even increasing it. This difference was possible because of world demand for American farm products. During 1972, the world grain crop was short and, at the same time, there was worldwide inflation. Unprecedented demand, combined with export subsidies and the devaluation of the dollar, liquidated the stocks which had been built up under the price programs and prices subsequently increased to new heights.

When the Agricultural Marketing Act,[3] establishing the Federal Farm Board, was passed in 1929, and the first Agricultural Adjustment Act in 1933,[4] the nation, and, indeed, the world, was faced with an overwhelming surplus of farm products, at least insofar as markets were concerned.

Some years later, the effect of this surplus on the economy was discussed by Congressman Jamie L. Whitten, lawyer and Chairman of the Appropriations Subcommittee for the Department of Agriculture, who wrote:

> It was graphically illustrated in 1921, in 1929, and again in 1937 that if the farmers' prices and purchasing power collapse, the whole economy suffers . . . a drop in the purchasing power of those engaged in agriculture not only wrecked farming but dragged down the economy of the whole nation.[5]

In contrast, when the 1973 act was passed, demand had brought about sharp increases in farm prices and real or imagined shortages of some commodities.

A major difference between the new law and previous ones is that so-called guaranteed or target prices are established for wheat, feed grains, and cotton. These are set at $2.05 per bushel for wheat, $1.38 per bushel for corn, and 38 cents per pound for cotton on allotted acres.[6] These prices are to be adjusted for the 1976 and 1977 crops in accordance with changes in the index of prices paid by farmers, modified for changes in yield per acre. Economists advising the Secretary will be responsible for these computations, just as they have been responsible for parity price

3. 46 Stat. 11 (1929).
4. 48 Stat. 21 (1933).
5. H.R. REP. No. 1161. 91st Cong., 2d Sess. 13 (1970).
6. Allotments for the 1974 marketing year were suspended by administrative action except for the purpose of calculating payments if price levels made them effective. Payments for the 1974 and 1975 crops of wheat and corn are to be the difference between the target price and:

> the higher of (1) the national weighted average market price received by farmers during the first five months of the marketing year for such crop, as determined by the Secretary, or (2) the loan level determined . . . for such crop.

Cotton differed in that (1) reads:

> the average market price received by farmers for upland cotton during the calendar year which includes the first five months of the marketing year for such crop. . . .

data. They are also required to make a cost of production study of wheat, feed grain, cotton, and daily commodities under various production practices and establish a current national weighted average cost of production. This is to be updated annually. The studies are to be based upon the size unit that requires one man to farm on a full-time basis.

In the 1973 act, we are moving away from the parity concept so far as target prices are concerned, but parity may come into play in setting loan levels. Nonrecourse loans will still be available, currently at rates substantially below target prices, to all farmers who cooperate in the program. It seems probable that loans will be used mainly by farmers as a financing device by those who wish to hold their crops for future sale or by those who come up against the new limitation of $20,000 which a person can receive annually under a combination of the wheat, feed grain, and cotton programs. Payments for resource adjustment, public access, and loans and purchases are excluded from the limitation. A new provision of the act permits a producer to qualify for payments when prevented by natural disaster from planting any portion of his wheat, feed grain or cotton allotment, or when he is prevented from harvesting at least two-thirds of the normal production of his allotment for those crops.

Virtually all farm price legislation proposed or enacted has had some relationship to farm exports, but emphasis has shifted over fifty years from trying to insulate the prices of farm products going into domestic consumption from those for export to a new program aimed at producing for export. As Secretary Butz has said:

> The market-orientation of our farm programs for wheat, feed grains and cotton puts U.S. producers in a strong position to respond to the ever-growing, worldwide demand for food and fiber. This market-orientation is a basic turn-around from the farm progams that have been in vogue since the Triple-A days of the 1930's. Basically, those were programs of curtailed production—of paying farmers not to produce. The emphasis of our current farm programs is on production—for markets, and higher farm income.[7]

This shift in emphasis has come mainly through major fluctuations one way and then another, in world demands for and supplies of agricultural products. The analyses upon which new plans and programs have been based have come mainly from economists, although the drafting of legislation usually has been done by lawyers,

7. U.S. Dep't. of Agriculture, Press Release No. 2940-73, Sept. 24, 1973.

whether they were in the Department or in Congress. Economic research has provided the bases for legislation and the date for program implementation. Perhaps the fact that four of the eight Secretaries of Agriculture holding office during the past 40 years were trained in agricultural economics is indicative of the importance of that field.

The first major proposal for Federal intervention during peacetime in agricultural pricing was made in 1922 by businessmen George N. Peek and Hugh S. Johnson in a pamphlet entitled *Equality for Agriculture*. Their plan proposed an organization for selling products for domestic consumption at a fair exchange value and surplus agricultural products at a world price. Their ideas of a "fair exchange value," based on the disparity between the prices of agricultural and industrial products was derived from a 1921 publication of the USDA entitled *Prices of Farm Products*. The bulletin, written by George F. Warren of Cornell, analyzed the movement of agricultural prices in relation to a general price index. Warren concluded that practically nothing that a farmer sells can be exchanged for the usual quantity of other things. The chief of the new Bureau of Agricultural Economics, Henry C. Taylor, organized a seminar to study the proposal. Members prepared statistical tables showing the difference between the actual prices and the prices which would give those commodities the same purchasing power they averaged between 1905 and 1914.[8] The tables on wheat, prepared by O. C. Stine, a young BAE economist, were published in a second edition of *Equality for Agriculture,* and helped the idea achieve greater acceptance. Subsequently, the idea became the base for the McNary-Haugen bills.

A different mechanism known as the export debenture plan was developed in the late 1920's by Charles L. Stewart, an agricultural economist at the University of Illinois. Stewart proposed that exporters be given government debentures having face values equal to all or part of the difference between the value of the commodity in the world market and a domestic value based on the world market price plus the tariff. The exporter could sell these debentures to importers, who could use them to pay duties. The exporter would pay in the domestic market the world price plus the value of the debenture issued to him. Essentially, then, the government would subsidize exports while, hopefully, maintaining the domestic price at a level above the world market price.[9]

Other economists developed the domestic allotment plan as a

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8. D. WINTERS, HENRY CANTWELL WALLACE AS SECRETARY OF AGRICULTURE, 1921-1924, at 250 (1970); H. TAYLOR, THE STORY OF AGRICULTURAL ECONOMICS (1952).

9. J. BLACK, AGRICULTURAL REFORM IN THE UNITED STATES 255 (1929).

modification of and an alternative to the McNary-Haugen proposal. Many of the ideas were brought together by W. J. Spillman, a U.S. Department of Agriculture plant geneticist and economist. The plan was later modified and publicized by economists Beardsley Ruml of the Laura Spelman Rockefeller Memorial Foundation, John D. Black of Harvard University and M. L. Wilson of Montana State College.[10]

The essential principle of the domestic allotment plan was to pay producers a free trade price plus the tariff duty for the part of their crop consumed in the United States, and the free trade price only for that part of the crop exported. This was to be carried out by making specific allotments to individual producers of rights to sell on the domestic market their proportionate shares of production needed by that market. The rights were to be transferable—a point that is still controversial. The domestic allotment idea was included in the Agricultural Adjustment Act of 1933[11] as one of the means authorized for attacking the farm problem and was immediately applied to wheat. The idea later was embodied by name in the Soil Conservation and Domestic Allotment Act of 1936.[12]

Economists have played a vital role in developing the concepts and in carrying out all the adjustment and price support legislation which has been in effect since the first Agricultural Adjustment Act of 1933. This production control legislation with its allotments and payments for the dual purpose of raising farm income and of inducing farmers to participate in the production control program grew out of the domestic allotment program proposed earlier by agricultural economists. The provision authorizing regulation of marketing through voluntary agreements among processors and distributors also had been included in earlier proposals. The drafting of the legislation threw lawyers and the economists together in unprecedented cooperation. Legal terms had to be found to describe economic concepts. "Trending" a time series became the legal equivalent of adjusting it for price-level changes. Mordecai Ezekiel, who had been an economist for the Federal Farm Board, and Rexford Tugwell, who had been an economics professor at Columbia University, worked with lawyer Frederick P. Lee, who served as personal counsel to George Peek, the first Administrator of the Agricultural Adjustment Administration, and with Secretary of Agriculture Henry A. Wallace.[13]

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10. W. ROWLEY, M. L. WILSON AND THE CAMPAIGN FOR DOMESTIC ALLOTMENT 123-28 (1970).
11. 48 Stat. 31 (1933).
12. 49 Stat. 1148 (1936).
13. G. PEEK & S. CROMTHER, WHY QUIT YOUR OWN 92-93 (1936); H. WALLACE, NEW

In addition to devising the original concepts and assisting in the drafting of the legislation, agricultural economists were selected to head up the administration of adjustment programs for all major commodities. The Secretary also adopted a rule that every major decision on production control or agricultural marketing agreements should be preceded by a professional economic study of the current and prospective conditions. A Program Planning Division was established:

> to relate all programs and activities under the Agricultural Adjustment Act to a general attack on the whole front of the agricultural situation, to correlate the program for all commodities and to shape the entire program into a coherent whole.[14]

Another innovation established under authority of the Agricultural Adjustment Act of 1933 was the Office of Consumers' Counsel. Economists were instrumental in the establishment of the position and in the selection of the first Consumers' Counsel. The first Consumers' Counsel, a lawyer, was succeeded in the position by an economist in 1935. Two economists had promoted the idea of including consumer protection clauses in the Agricultural Adjustment Act of 1933. The act had listed the protection of consumers' interest as a major policy. Farm production was to be regulated "at such levels as will not increase the percentage of the consumers' retail expenditures for agricultural commodities . . . which is returned to the farmer in the prewar period, August 1909 - July 1914."[15] This clause and another concerned with the effect of the processing taxes on prices to consumers were used as the basis for the appointment of a Consumers' Counsel.[16]

The clauses on consumer protection in the Agricultural Adjustment Act of 1933 were enlarged in the Agricultural Adjustment Act of 1938 to include "assisting consumers to obtain an adequate supply of agricultural commodities."[17] This clause was contained in the declaration of policy. The powers in the act were not to be used to discourage the production of supplies of foods and fibers sufficient to maintain normal human consumption. This determination was to be made by the Secretary from the records of domestic human consumption in the years 1920 to 1929, taking

FRONTIERS 164-65 (1934); Ezekiel, *Henry A. Wallace, Agricultural Economist*, 48 J. FARM ECON. 789-802 ,(1966).

14. AGRICULTURAL ADJUSTMENT ADMIN., AGRICULTURAL ADJUSTMENT: A REPORT OF ADMINISTRATION OF THE AGRICULTURAL ADJUSTMENT ACT 15 (1934).

15. 48 Stat. 31, 32 (1933).

16. *Garvin, The Consumers' Counsel*, (unpublished manuscript, files of Agricultural History Group, Economic Research Service, USDA); 48 Stat. 31 (1933).

17. 52 Stat. 31 (1938).

into consideration increased population, current trends in domestic consumption and exports, and other factors. Production was to be adequate to meet consumer demand at prices fair to both producers and consumers.[18]

The emphasis on adequate supply, in addition to fair prices, grew out of the concern of the Secretary of Agriculture and economists in the Department for protecting farmers and consumers against the effects of extensive droughts. Because of the severe droughts of 1935 and 1936, Secretary Wallace had called for crop insurance and ever-normal granary or storage programs. Both ideas were incorporated in the 1938 legislation. These laws provided background for the Agriculture and Consumer Protection Act of 1973, the first price support and adjustment legislation to include "consumer protection"[19] in its title. When the title was criticized as being misleading, Congressman Poage, Chairman of the House Committee on Agriculture, replied that the entire bill was "predicated upon providing a program that would enable farmers to produce the food and fiber that American consumers need."[20]

The production control programs of 1933 were devised to reduce output to domestic needs because foreign trade had "dwindled to a mere trickle," but the Secretary emphasized that immediate adjustment would be made if and when export markets became available. He also pointed out that the act specified that if the market price itself rose toward the pre-war parity price, the compensating payments would decrease in proportion and would be discontinued if the market price reached prewar parity.[21]

Price supporting nonrecourse loans were introduced during 1933 for cotton and corn to enable growers to hold their crops until the price could advance as a result of the production control programs. The loan rate for cotton was raised from ten cents for the 1933 crop to twelve cents for the 1934-35 crop and then dropped back to ten cents, supplemented by cotton price adjustment payments to make up the difference between the price received in the market and the support price.[22] This was the Department's first use of direct payments to make up the difference between the price received in the market and a support price—the target concept used in the 1973 legislation. This program, like the target price idea in the 1973 legislation, was aimed at encouraging marketing and exports.

Conservation payments for shifting acreage from soil-depleting

18. *Id.*
19. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, 87 Stat. 221.
20. 119 CONG. REC. 5834 (daily ed. July 10, 1973).
21. U.S. Dep't. of Agriculture, Press Release No. 1154-33, May 13, 1933.
22. E. NOURSE, J. DAVIS, & D. BLACK, THREE YEARS OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION 164-67 (1937).

to soil-conserving crops were introduced in the Soil Conservation and Domestic Allotment Act of 1936.[23] This legislation succeeded the Agricultural Adjustment Act of 1933, which was invalidated by the Supreme Court on January 6, 1936. The Court ruled that processing taxes could not be used to make benefit payments under production control contracts.[24] Beginning in 1939, these payments were limited to $10,000 to any person for any year. The same legislation provided that soil conservation payments be increased from 23 to 40 per cent for small farmers and one to 23 per cent for medium-sized farmers.

The idea of paying farmers to voluntarily shift acreage from soil-depleting to soil-conserving crops grew out of the ideas developed within the Program Planning Division. Before the Agricultural Adjustment Act was invalidated, economists in the Division had recommended that soil conservation be adopted as a major objective of the adjustment policy.[25]

In addition to the soil-conserving payments made for shifting acreage from soil-depleting crops, soil-building payments were made for carrying out approved soil-building practices on cropland or pasture. These payments, later called practice payments, have been continued on a cost-share basis in all subsequent programs. The Agricultural Conservation Program which provided the payments was renamed administratively for 1971 and succeeding years as the Rural Environmental Assistance Program. Special provision was made in the Agriculture and Consumer Portection Act[26] to insure that the purposes of this program were continued. The Secretary was directed to use three, five, ten or 25 year contracts in carrying it out.[27] Administratively, it was anticipated that contracts would be most acceptable to producers on a three or five year basis.

The Agricultural Adjustment Act of 1938, as amended, which the present act further amends, provided for loans on specified commodities at rates ranging from 52 to 75 per cent of parity.[28] The rates were regarded as low enough to encourage exports. The act directed the Secretary to make parity payments, if funds were appropriated, to producers of corn, wheat, cotton, rice, and tobacco on the basis of their normal production of these commodities in amounts which would provide a return as nearly equal to parity as the available funds would permit. These payments, like the present target price payments, were to be in addition to other

23. 48 Stat. 1148 (1936).
24. United States v. Butler, 297 U.S. 1 (1936).
25. 1936 AGRICULTURAL ADJUSTMENT ADMIN., AGRICULTURAL CONSERVATION: A REPORT OF THE ACTIVITIES OF THE AGRICULTURAL ADJUSTMENT ADMINISTRATION 1-10; Columbia University Oral History Collection, Oral History of Howard R. Tolley.
26. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, § 3, 87 Stat. 221.
27. *Id.*
28. 52 Stat. 31, 43 (1938).

authorized payments. Parity payments were made on corn from 1939 through 1943, on cotton from 1939 through 1941, on rice from 1939 through 1941, on tobacco from 1941 through 1943, and on wheat from 1939 through 1943.[29]

The 1938 act continued authority to donate surplus foods to needy people, and such authority has been continued to the present in one form or another. An alternative proposal which permitted low-income persons to buy more surplus food through private trade channels was developed in 1939 after the basic idea was proposed by a Department economist, Frederick V. Waugh. The food stamp program, as it was known, was in effect on a limited basis from May 16, 1939 to March 1, 1943.[30] The plan was revived in 1961 and has grown until it has largely displaced the direct distribution of food to needy individuals. Indeed, the Agriculture and Consumer Protection Act of 1973 ordered it extended to every area of the country by June 30, 1974, unless a State could show it to be "impossible or impracticable."[31] Stamp allotments are to be adjusted semiannually to reflect food price changes. Other rules making food stamps more available to specified groups of people also became effective.

Parity payments were discontinued during World War II, and loan rates were raised to parity levels to encourage an increase in war production to hold food prices down for consumers and to dampen inflation. In addition, high price supports through loans or purchases were guaranteed to farmers for a two-year period following the cessation of hostilities.

During this time of high wartime prices for farmers, many economists became concerned with the effect of continuing high-level price-supporting loan programs on the domestic economy and on world trade after the war. Price parity in its statutory form, they stated, was inadequate for meeting the requirements of a properly functioning pricing system. Among the criticisms advanced against the use of the parity formula were: (1) price relationships of 1910-14 represented a distorted pattern of consumer choices as reflected in the current period; (2) such price relationships tended to freeze resources according to an anachronistic design; and (3) many products would be priced out of domestic and foreign markets, resulting in the building up of government surpluses or the regimentation of farmers.

They began to advocate direct payments at some predetermined

29. F. STOCKER, GOVERNMENTAL COST IN AGRICULTURE: THE CONCEPT AND ITS MEASUREMENT 39 (1946).
30. G. BAKER, *et al.*, CENTURY OF SERVICE: THE FIRST 100 YEARS OF THE UNITED STATES DEPARTMENT OF AGRICULTURE 183 (1963).
31. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, § 3, 87 Stat. 221.

price or income level to allow farm products to sell at market levels and to compensate farmers during periods of depression. Most proposals had a cutoff point for direct payments when some level of full employment was reached. Widespread endorsement of direct payments was generally given by those who assumed that the income problems of commercial agriculture were temporary. In 1944, Theodore Schultz of the University of Chicago began to advocate a system of "compensatory payments" to reduce the instability of farm income caused by business fluctuations. The payments were to be made in a manner and at a time that would make them counter-cyclical in their effect, and in a way that would not disturb agricultural production or foreign trade. The level of unemployment, he suggested, might be used as an automatic indicator of the need for payments.[32]

In 1945, the American Farm Economic Association held a contest for the best essays on "A Price Policy for Agriculture Consistent With Economic Progress That Will Promote Adequate and More Stable Income From Farming." Virtually all of the 18 winners recommended that any income assistance to farmers should be achieved through direct payments.[33] A limit on the percentage of total payments going to any individual or farm was advocated by one of the contestants. Fourteen of the 18 winners advocated some kind of minimum price commitment by the government before farmers had to make production decisions. Fourteen of the 18 winners used the concept of necessary price to maintain allocation of resources within agriculture. In most cases, direct payments to producers were to make up any deficiency in price commitments.

One of the contestants in his discussion of "forward prices" expressed concern that farmers have "insufficient time and data available to make accurate estimates" or forecasts of prices. The job, he suggested, should be the responsibility of experts.[34]

These proposals of economists during the mid-1940's laid the basis for the most widely discussed proposal close to the concept of target prices, the so-called Brannan Plan. The plan, as presented to Congress in 1949, by Secretary of Agriculture Charles F. Brannan, included replacement of parity by an income standard, support of major commodities at full income standard levels by loans, support for incomes of growers of perishable commodities by direct payments by the government of the difference between the price

32. T. SCHULTZ, AGRICULTURE IN AN UNSTABLE ECONOMY 220-35 (1945); Schultz, *Two Conditions Necessary for Economic Progress in Agriculture*, 10 CAN. J. ECON. & POL. SCI. 308-10 (1944).

33. Nicholls & Johnson, *The Farm Policy Awards, 1945: A Topical Digest of the Winning Essays*, 28 J. FARM ECON. 267-82 (1946); *see also*, 27 J. FARM ECON. 743-902 (1945).

34. Johnson, *A Price Policy for Agriculture Consistent with Economic Progress that will Promote Adequate and More Stable Income from Agriculture*, 27 J. FARM ECON. 764 (1945).

received in the market and the support price established, restriction of supports to large-scale farmers, and the requirement of compliance with approved conservation practices and production or marketing controls.[35] Some commentators have stated that the new law is a revival of the Brannan Plan.[36] The similarities are more apparent than real, even though Don Paarlberg, Director of Agricultural Economics, USDA, has pointed out that "the payment principle can be adapted to everything from asparagus to zinnias. . . . How these demands will be handled is a major unresolved issue."[37]

After the rejection of the Brannan Plan by Congress, some economists continued to discuss the use of direct payments alone or in combination with other measures in the solution of the farm problem. In 1955, John K. Galbraith of Harvard University suggested that payments could be used to compensate farmers for the difference between market prices and the loan level in effect at that time. To keep costs down, he wrote, expansion of unwanted crops would have to be prevented; payments could easily be denied to over-quota production. Supplementary payments could be made to dairy and meat producers to provide an incentive for shifting resources from one sector to another.[38]

In November 1955, George Brandow of Pennsylvania State University proposed a modified compensatory price program for agriculture. Compensatory price payments were suggested in lieu of market prices supported by loans. Farmers were to be paid the difference between actual market prices and prices the government considered fair and reasonable. Marketing allotments on historical bases were to be assigned to producers. The total of producer allotments were to be about 75 per cent of total marketings in a base period. If market prices fell below intended prices, direct compensatory payments were to be made on marketings not in excess of each producer's allotment. Quantities in excess of quotas could be sold at market prices. He suggested that the modernized parity formula could be used in determining parity prices but that the amount of money Congress was willing to spend would impose limits on expenditures.[39]

In 1956, John D. Black of Harvard University recommended that the only effective and workable program for the next few years appeared to be that of putting a floor under farm incomes

35. R. CHRISTENSON, THE BRANNAN PLAN (1959); *Hearings on General Farm Program*, 81st Cong., 2d Sess., pt. 2, at 137-56 (Statement of Secy. of Agric. Charles F. Brannan, April 7, 1949).
36. N.Y. Times (Aug. 11, 1973); St. Louis Dispatch (Aug. 20, 1973).
37. U.S. Dep't. of Agriculture, Press Release No. 2869-73, Sept. 20, 1973.
38. Galbraith, *Farm Policy: The Current Position*, 37 J. FARM ECON. 298-99 (1955).
39. Brandow, *A Modified Compensatory Price Program for Agriculture*, 37 J. FARM ECON. 716-30 (1955).

at a relatively low level and letting prices of different products drop to a level that would clear the market in three to five years. Income supports were to be in the form of compensatory payments to make up the difference between the market prices and prices needed to support farm incomes. The payments were to vary with the size of the current production of the crop. The return from a large crop would be a little less than the return from the average crop.[40]

The first commodity to be supported primarily through payments to producers was wool. This step was taken in 1954, when the National Wool Act was passed as part of the Agricultural Act of 1954.[41] The program has continued since that time and was extended through December 31, 1977, by the Agriculture and Consumer Protection Act of 1973. Both the production of wool and the number of sheep have continued to decline in the United States, but it has been argued that wool production would have virtually disappeared in the United States by 1973 without this law.

After Secretary of Agriculture Benson had proposed authorization of a payment program for wool, Congressman Fred Marshall pointed out that a similar program had been suggested for dairy products. The plan had been recommended by E. Fred Koller, an economist at the University of Minnesota. Congressman Marshall insisted that the Secretary of Agriculture explain why he was not willing to recommend a payment plan for dairy products.[42]

Milk was not included in the commodities under the Agriculture and Consumer Protection Act of 1973 which were to receive payments related to target prices. Instead, the price support level was raised to 80 per cent of parity for the marketing years 1973-1974 and 1974-1975.[43] Other provisions affecting dairy support prices were also included. One required economists in the USDA to report to Congress on the impact on the dairy industry of increasing the level of dairy imports.[44]

During 1956 and 1957, some spokesmen for cotton farmers and the industry recommended that a payment program be used for cotton as it was for wool. Congressman Poage, Vice Chairman of the House Committee on Agriculture, introduced a bill to allow the price supporting loans for cotton to drop to 75 per cent of parity. Direct payments were to be used to make up the difference between 75 and 90 per cent of parity. The objective of lowering the loan

40. Black, *Agriculture in the Nation's Economy,* 38 J. FARM ECON. 232-34 (1956).
41. 68 Stat. 897, 910 (1954).
42. *Hearings on . . . Dep't. of Agriculture Appropriations for* 1955 *Before the House Committee on Appropriations,* 83d Cong., 2d Sess., pt. 1, at 110 (1954).
43. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, § 202, 87 Stat. 221.
44. *Id.* § 203.

rate was to make cotton competitive on the foreign market and competitive with synthetics and other substitutes for cotton. Congressman Poage stated that his plan was just like the program for wool.[45]

On the first day of 1957, Congressman Poage introduced another bill which he said was substantially the same as the one introduced in 1956. However, on June 14, he stated that he was convinced that loans must drop to 65 per cent of parity or less. Cotton, he said, should "drop to the world market and let all cotton sell just as freely as it sold in 1923 or 1927, 30 years ago."[46]

An innovative law concerning farm surpluses, the Agricultural Trade Development and Assistance Act, better known as Public Law 480, was signed in 1954.[47] The law authorized the United States to make agreements to sell farm products for foreign currency, which the government would spend in the customer country on emergency relief and other aid, and to barter farm surpluses for materials required by the United States. In 1959, the law was amended to increase dollar sales of surplus farm goods to friendly nations through long-term agreements and extension of credit.[48] This was another indication of a continuing concern with developing and maintaining export markets, using distinctive pricing systems if necessary.

Public Law 480 has been successful in reducing surpluses of farm products and as a vehicle for programs to aid developing nations improve their agricultlure. It has been renewed at regular intervals. Although we do not have surpluses at the present moment, the law was extended for an additional four years by the Agriculture and Consumer Protection Act of 1973.[49]

In 1954, Congress also passed the Agricultural Act of 1954, establishing price supports for the basic commodities on a flexible basis.[50] Earl Butz, who was Assistant Secretary of Agriculture at the time, discussed the role of the agricultural economist in policy making in relation to this legislation, in an address on December 29, 1954. His experience enabled him to comment from the viewpoint of a professional economist and an administrator. Policy decisions, he said, must be made within the framework of the over-all governmental philosophy. Policy determinations necessarily must start with and revolve around the policies and pro-

45. *Hearings on . . . Cotton Imports, Exports, and Minimum Acreage Allotments Before the House Committee on Agriculture*, 84th Cong., 2d Sess., at 123 (1956).
46. *Hearings on . . . Cotton Before the House Committee on Agriculture*, 85th Cong., 1st Sess., pt. 2, at 460 (1957).
47. 68 Stat. 454 (1954).
48. 73 Stat. 606 (1959).
49. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, § 701, 87 Stat. 221.
50. 68 Stat. 897 (1954).

grams of the previous administration. He gave as an important factor in the determination of policy the desire of those who make the policy to be primarily economic on the one hand or primarily political on the other. He said that when the Secretary of Agriculture and his immediate staff are primarily motivated to make sound economic decisions, the influence of the agricultural economist will be foremost. In this case, he continued, the ideal procedure is to push economic soundness as far as political expediency will permit. Assistant Secretary Butz suggested that the economist's greatest usefulness probably came in day to day operations in the Department.[51]

Comments by Congressmen during the debate on the Agriculture and Consumer Protection Act of 1973 indicate that they considered economics to be central to the farm problem and that the act represented an advance in its application. With respect to the application made of economics in the legislation, Senator Carl T. Curtis of Nebraska said:

> The heart of the plan is an annual determination by the Secretary of Agriculture as to anticipated domestic and export needs. . . . If Secretary Butz is right, it will herald a new era. If the Government asks farmers to produce and the demand does not materialize, the Government should share the risk.[52]

Senator Hubert Humphrey of Minnesota commented:

> I believe that as the debate on the bill before the Senate proceeds, our colleagues will find that within the framework of this legislation is a very important development in agricultural economics and a long-term agricultural policy. . . . It has a great deal to do with the viability of our economy, our balance of trade, our balance of payments and our ability to survive as a people and to be a great country.[53]

How sound economically is the Agriculture and Consumer Protection Act of 1973? What will be the role of professional economists in carrying it out? As Administrator and staff members of the Economic Research Service which serves as the economic intelligence agency for the Department, our views may be of interest.

We agree with Secretary Butz when he said, "It's a good bill. . . . After all, being able to compromise situations without compromising principles is the essence of good government."[54] Speaking

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51. Butz, *The Agricultural Economist in the Political Environment of Policy Making*. ?7 J. FARM ECON. 191, 194 (1955).
52. 119 CONG. REC. 10423 (daily ed. June 5, 1973).
53. *Id.* at 10420.
54. U.S. Dep't. of Agriculture, Press Release No. 2940-73, Sept. 24, 1973.

for the Economic Research Service, on balance, we feel the law is economically sound despite the fact that some compromises had to be made.

We also agree with Don Paarlberg, Director of Agricultural Economics, when he said that the new farm legislation shelves certain issues and raises others. For example, he notes that all people, including Congressmen and economists, were astounded at the price strength in recent months; but, he stated, farmers recall hearing similar things during the early postwar period and the world food scare of the mid-sixties. In each case, the strong prices from market demand proved temporary, and fell thereafter.[55]

If prices should fall again, he suggested, the results could be costly to the Government because direct payments, unlike the loans and storage type of price supports, can be adapted to perishable products. Paarlberg suggested that demands may arise to give the same price assurance to the producers of asparagus and zinnias that has been given in the past to storable products. He also pointed out that since payments are not limited to the domestically-consumed part of the crop, foreign countries may complain that the United States is overstimulating production and subsidizing exports.

On the other hand, if prices stay high farmers might be in trouble because worldwide inflation and devaluation might result in farmers' costs rising faster than the prices they receive. Another problem would arise if prices stay high and stocks are not accumulated. Public Law 480 programs might lapse with possible complications for foreign policy. He asked if we can be sure the private trade will carry adequate supplies to provide the commodities needed in severe drought or war.

As Paarlberg pointed out, the new legislation solves certain issues and raises others. It changes the agenda for those who work in the policy field and "after forty years is probably a good thing."[56]

The new issues, like the old ones, will provide problems and perils for the Director of Agricultural Economics and for the economists in the Economic Research Service who work with him to advise and assist the Secretary. This year the economic experts have been given notice that their ability to forecast and analyze domestic and export needs is at the heart of the "share-the-benefit/share-the-risk plan." Senator Carl T. Curtis of Nebraska laid down the challlenge when he said:

55. U.S. Dep't. of Agriculture, Press Release No. 2869-73, Sept. 20, 1973.
56. *Id.*

> The heart of this "share-the-benefit/share-the-risk" plan is an annual determination by the Secretary of Agriculture as to anticipated domestic and export needs of wheat, feed grain, and cotton during the ensuing year. . . . if Secretary Butz, a man whom I admire and respect greatly, proves to be a prophet, the passage of S. 1888 will herald the beginning of a new era in agriculture. It will mean that the producers of America's major food and fiber crops will no longer need to depend on the U.S. Treasury for a portion of their income.
>
> On the other hand, if the Government asks farmers to produce increased quantities of the basic commodities to meet a "hoped-for" demand, the Government should share the risk if that expanded demand does not materialize.[57]

Economists have always been stimulated by challenge. We will need to improve our collection and evaluation of data and our techniques of forecasting and of analysis. We welcome studies being made by experts outside the Government and feel that it will help us to improve the forecasting and analysis required by the Agriculture and Consumer Protection Act of 1973.

We will need to improve our knowledge of world markets and world demand. The provision in the Agriculture and Consumer Protection Act[58] requiring weekly reports from exporters of their foreign sales of wheat, wheat flour, feed grains, oil seeds, cotton and cotton products, and other U.S. commodities will help to keep our data on exports current. A program is now being developed to secure a fuller exchange of information in the agricultural area with the Soviet Union. Conversations with officials in Moscow in November, 1973, led to general agreement on the usefulness of the exchange.

The requirement in the act for an annual study of the cost of production for wheat, feed grains, cotton, and other U.S. commodities will provide needed information for our own analysis of farmers' costs in relation to returns.[59] The legislative requirement that the Department of Commerce conduct a census of agriculture in 1974 will also provide useful data.[60]

The Secretary of Agriculture, the Director of Agricultural Economics and the Congress are counting on economists within the Department to develop adequate economic and statistical tools to help in carrying out the Agriculture and Consumer Protection Act of 1973. The Economic Research Service accepts the challenge of the new legislation.

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57. 119 CONG. REC. 10422-23 (daily ed. June 5, 1973).
58. Agriculture and Consumer Protection Act of 1973, Pub.L. No. 93-86, § 812, 87 Stat. 221.
59. *Id.* § 808.
60. *Id.* § 818.