Comment

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Lauren Soth has done a superb job of outlining the broad dimensions of Henry A. Wallace's farm policies in the 1930s. Even though the farm crisis spanned two decades, the actual policies were enacted during the New Deal in the 1930s, and many still exist in various forms today. In order to minimize repetition and redundancy, I will devote most of this paper to the parenthetical portion of the topic, and that is the implication of Wallace's policies for the 1980s.

As Soth points out in his paper, comparing one time period with another is difficult. With the exponential increase in technology since the 1920s and 1930s, comparing that era to the present is even more difficult. Although it is difficult to avoid anachronisms, it is useful to examine the current economic downturn in terms of its impact on people, and the implications for the future structure of family agriculture.

Few knowledgeable economists would deny the existence of the current recession in Iowa agriculture but there is a semantic debate raging about whether or not this is a "recession" or a "depression." There is also disagreement about whether or not the current economic situation is more comparable to the 1950s than the 1930s. To the victims of the crisis it is definitely a depression. To those who are prospering or are still hanging on, it is a recession. To many economists it is a state of economic agnosticism with dimensions too complex to adequately define.

It would undoubtedly take a full conference and several days to discuss the total dimensions of the current economic crisis in agriculture, but an economic baseline is needed in order to draw the historical comparisons. I have just prepared an analysis of the economic emergency for the Iowa Farm Unity Coalition, and even this cursory review consumed a considerable amount of ink and paper. The analysis was recently presented to Governor Terry Branstad in an attempt to get the governor to use his influence to assist the victims of the bad economy.

Branstad's Office of Planning and Programming also has done a study of the Iowa economy, and the agency concluded that conditions are not severe enough for the governor to use his authority to declare a state of "economic depression." The designation is important because farmers and homeowners would be able to apply for a continuance on debts that are currently past due to lenders. Although this process has been called a moratorium, it is really only a judicial review that would be available to deserving borrowers on a case-by-case basis. The OPP analysis is flawed in logic, evidence and statistical interpretation. A rebuttal has been prepared by the Iowa Farm Unity Coalition and it is available upon request.

The Iowa Legislature held a series of eight field hearings on the economy, and two hearings of the joint agriculture committees were also held at the statehouse. The legislative leadership did not even bother to compile a summary of the testimony which was offered. Perhaps, it is fitting that pari-mutuel betting and other institutional gambling received more attention than the economic gamble of farming. The victims of this depression, however, received little attention from the legislature and no real assistance.

To those of us who have spent a majority of our time in the last year assisting the victims of this depression, patience is wearing thin with decision-makers who ignore the crisis. If there were as many farmers left today as in the 1930s, another Holiday Movement would probably be afoot.

In addition to fewer farmers, another reason the Iowa Farm Unity Coalition has averted violent protests by offering economically troubled farmers empathy and assistance. The group has operated a farm crisis hotline; it has established farm survival committees in several counties; and it has encouraged the participation of these farmers in hearings and meetings. We have tried to encourage the victims to work through the system, but the strategy of the government seems to be continued removal of farmers—at a rate that is slow enough to prevent uprisings. The policy of the federal government to remove human resources from agriculture is well documented, and has been advocated by leading economists. Even Lauren Soth spoke of a "homestead act in reverse" in his earlier writings. The danger of miscalculation in exceeding this acceptability quotient, however, is growing more imminent each passing day.

As conditions become more desperate and as the victims exhaust their options, the probability of violence to others increases significantly. It is important to emphasize "violence to others," because the victims are already doing violence to themselves and their families. The suicide rate in Iowa is the highest in the very rural county of Tama, and in several other rural counties the suicide rate is higher than in urban areas and higher than the national average. Higher rates of spouse and child abuse, alcoholism, divorce, and mental illness are also being observed in rural areas although the actual magnitude is difficult to track and quantify.

As incredible as it seems, there were Pollyannas in the 1920s and 1930s who thought that there was no real depression. The nature of institutions, it seems, is to serve survivors not victims, and this leads to oversimplifications, generalizations, and faulty conceptions which tend to support survivor-defined stereotypes of victims.

The squabble between the liberals and the old-line agriculturists in Wallace's Agriculture Department over the Resettlement Administration and the tenant problems that were created by the Agricultural Adjustment Act demonstrates an inherent dichotomy. Wallace's heart was with the liberal do-gooders who wanted to resettle poor farmers and assist the tenants, but his mind and loyalties were with the "good operators"—a term that is generally reserved for the survivors.

One of these old-line agriculturists, Edward Asbury O'Neal II, who was president of the American Farm Bureau Federation for several years, criticized Wallace's efforts to assist sharecroppers, and he expressed a naive, insensitive (and in this case, racist) attitude that still exists among many farmers today. He said that the soft-headed "do-goodies" (liberals) did not understand that unlimited opportunities were still open to all comers who were "free, white and 21." He also presented a corollary to this theory which qualified him as an early victim blamer: O'Neal said that anyone who remained a sharecropper or day hand simply lacked "get up and go" (the current expression is lazy). The Farm Bureau leader was not silent about his viewpoint, and it, along with others, undoubtedly contributed to the ambiguous attitude which Wallace appeared to have toward the Resettlement Administration and other victim-serving programs.

As Soth mentions, the Resettlement Administration evolved into the Farm Security Administration and today it is the Farmers Home Administration. The name changes have reflected the ambivalence of the government toward the agency, and the Reagan administration's failure to use available emergency funding authority seems to rise from this old perception. It is apparent that serving victims has always been tainted—especially in agriculture where rugged individualism is supposed to be the main virtue.

Aiding survivors, however, has always been popular as is evidenced by the current PIK program. The payment-in-kind program, also called "PIK" or "Crop Swap," was enacted in 1983 to reduce massive carryovers of grain. Under the program, the USDA offered farmers grain to idle acreage. The PIK was necessary because the voluntary reduced acreage program (RAP) in effect in 1981 was a total failure. Not only did the RAP not reduce production, but it also caused the price of corn to fall below the CCC loan level because participation was too low to put enough grain under loan to set a floor in the market.

While the program has been successful in raising corn prices above the CCC loan level at the current time, it is the most costly farm program in history, and the free stocks that will be made available this fall from previously isolated supplies could keep prices flat, or cause them to drop if a particularly large crop is grown on the remaining acres. Although Henry

Wallace had advanced about every agriculture policy option that has been thought of in his book, *New Frontiers*, the PIK concept was not one of them.

Because the PIK program permits the USDA to release stocks below the set trigger level, there is a fear that crop swap could weaken or destroy the farmer-owned reserve program. The integrity of the reserve depends on the isolation of stocks from the market until the pre-determined price level is reached.

The pre-cursor of the reserve concept was certainly the "Ever Normal Granary" approach that Wallace used. The provision to reseal grain that was under CCC loan when the price remained low was comparable to the current reserve program where price protection is provided through the trigger mechanism. When the trigger price level is reached, benefits such as interest waivers and storage payments are withdrawn to encourage farmers to sell their grain. The reserve program not only protects farmers in times of surpluses, but it also protects consumers by insuring an adequate supply and a more stable price.

Even though it was distasteful, Wallace came to recognize the need for supply management in agriculture including such mechanisms as acreage reduction programs, soil conservation programs, and inventory management programs like Ever Normal Granary. He realized that the exports of a creditor nation could always be disrupted, and that controlling production seemed to be a better option than trade wars or protective tariffs. But he still recognized that leaving land idle ran against the grain for most farmers. The issue of supply management and price supports vs. expanded exports is still a hotly debated question today.

Wallace also recognized the need for long-range planning. In the aftermath of the PIK program, there is a need for a long-range food and fiber policy to smooth out the boom and bust price pattern which currently exists. The purpose of this policy should be not only to keep commodity prices profitable, but also, in the Wallace tradition, to protect consumers. The farmer-consumer relationship is not inherently adversarial.

Victim blaming, as voiced by O'Neal, is still popular. Today, it seems that those farmers who are in economic trouble are lazy, greedy, or poor managers depending on your political persuasion. The victims, according to this perception, have either expanded too fast, too slowly, or they simply have not worked hard enough. In over six hundred calls on the farm crisis hotline, only about 10 percent would fall unambiguously under one of these stereotypes. When farm prices are as low as the Great Depression in terms of purchasing power at 57 percent of parity, and when interest rates have not been higher since the Civil War—in excess of 18 percent in 1982—it should come as no surprise that many farmers have fallen into a state of economic difficulty.

Henry Wallace was strongly critical of the high interest rates in the late 1920s, and some economists have credited the tight money policy with bringing on the Great Depression. Yet, the rediscount rate charged by the Federal Reserve banks to members on overnight deposits never exceeded 6 percent, and it remained below 2 percent for most of the 1930s. The short-term effective rates barely exceeded 10 percent, and then for only a short period of time. It was not until the 1970s that interest rates rose above the 6 percent level. The current, persistent, high interest rates are much higher than justified by traditional interest to inflation differentials and are worse than the 1930s in terms of economic survival.

Soth rightfully credits Wallace with bringing economic analysis to the USDA. It is significant that Wallace was using calculus in economics before the higher mathematical tool was used widely even in the natural sciences. He proved that he was an able mathematician by recognizing not only the strengths, but also the weaknesses of statistical analysis. He admitted later in his life that the 13 to 1 hog to corn price ratio was probably too high in that it encouraged overexpansion in hog production.

Although the hog to corn ratio is widely recognized and recounted, the fair exchange value popularized by Wallace, now called the parity ratio, is discredited or even rejected by many of his protégés. To be sure, higher productivity has probably caused the parity ratio to be lower than is economically justified at the current time. But the parameters used in the formula still give a relatively accurate picture of the purchasing power of farmers as compared to a stable base period (1910 through

1914). The most sensitive variables in the parity formula are: interest costs; fertilizer, seed, and pesticide costs; energy expenses; and modest labor costs. The formula does not measure returns on invested capital or actual profitability of individual farmers.

With the United States farm debt now exceeding $215 billion, and with debt service costs in 1982 about equal to the net income of $20 billion, the weighting of interest in the cost index has made the parity ratio a good indicator of economic stress particularly for those who must borrow money for operating expenses or for land purchases. The reason that parity is a good cost-price index is that it most accurately reflects the financial position of the most vulnerable producers.

There is one similarity between the 1930s and the 1980s that needs to be discussed. Both time periods were characterized by high unemployment. Agriculture is not only affected by unemployment in terms of reduced demand for farm products, but farmers themselves are involved directly because many rely on non-farm jobs to supplement farm income, and those forced from the land must have employment to support their families. Even though exports are important, domestic food consumption still accounts for over 70 percent of the total agricultural production according to Harold Breimeyer, professor of economics at Columbia University in Missouri. Wallace also stressed the importance of adequate consumption to farmers and consumers alike. Ironically, the high dependence of the Iowa economy on agriculture has caused the unemployment rate to be the highest where farming is the most depressed. Unlike the 1950s, jobs today are harder to find and harder to keep. This compounds the already serious farm problems.

The result of these bad economic conditions has been the exodus of people from the state which is conservatively estimated at 100,000. Instead of working to improve agriculture's profitability, leaders from both political parties are talking about shifting Iowa's economic focus from agriculture to high technology. Although some diversification would probably be healthy, some of these same leaders have forgotten that Iowa was spared from the recession in the early 1970s because of the contributions of agriculture.

What Henry Agard Wallace offered farmers in the 1930s is a commodity that is in short supply among the victims today: hope. The government needs to move from an irresponsible, hit-or-miss involvement in agriculture to a limited and defined but effective role. Emergency farm credit is needed in the short term, but only long-range planning and programs will prevent further attrition in the family farm structure.

Wallace's fine-tuned intellect, empathy, administrative capability, and good will are edifying in the current crisis. His example keeps all of us hoping for the better even though we may expect the worst.