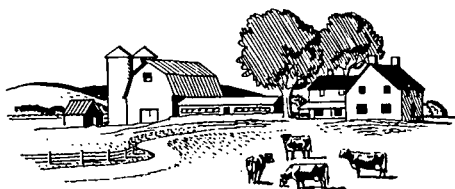


Free-Market Farming

W. M. Curtiss

An economic remedy for
a political headache



AN ECONOMIST of national reputation once told me: "The trouble with agriculture is that it is a decadent business." This came as something of a shock to one who had been raised on a good Illinois farm, attended an agricultural college, operated a farm for a time, and who had dedicated his life to teaching and research in the field of agriculture. Isn't food the first essential to life? Haven't people, through the ages, given up almost everything else rather than go hungry? Then how could the production of food be a decadent occupation?

I think I know now what this economist meant, although I believe he chose an unfortunate word to describe what has happened to agriculture in this country. True, the proportion of the population engaged in farming has declined; but if decadence means retrogression or deterioration, then it simply doesn't fit.

The "farm problem" in varying stages of acuteness has been with us now for some 30 years. Not that farmers haven't had problems since the beginning of farming. But agriculture became clothed with the dignity of a national issue when the government began trying to do something to correct the plight of farmers. To a lesser extent, of course, the farm problem goes back to the Grange movement, the free silver question, the tariff issue, and others. But the farm problem as we think of it today had its origin with the Farm Bloc, the McNary-Haugen Bill, and the Federal Farm Board of the 1920's. Since then, so many things have been done to alleviate the farm problem that most of us are greatly confused about just what is going on in agriculture. Contributing to the confusion is the mixture of politics and economics until it is almost impossible to separate

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them. It is difficult to see the forest for the trees. Needed is a bird's-eye view of agriculture in relation to the whole economy.

Following the Revolutionary War, farmers made up 96 per cent of the population. It was subsistence farming. Practically every member of the family worked from sun to sun to produce the food, clothing, and shelter essential to a meager living. A small part of the farm production, in excess of the family requirements, could be traded with the few merchants in the villages for imported articles and some of the "luxuries" of life. Thus, at that time, farmers produced food and fiber primarily for themselves with just a little left over for a few non-farmers.

This subsistence way of living was typical of most of the world before the industrial revolution and still exists in vast areas. Nearly half of the world's population lives in countries where about three-fourths of the workers are farmers. But in the United States today, instead of 96 per cent of the population, farm households make up less than 12 per cent of the total. Instead of a farm family producing barely enough food and fiber for its own needs, the typical modern farm yields enough for its own and eight other households.

This increasing efficiency of agriculture has a very important bearing on the farm problem and on the economy in general.

THE CURRENT farm problem is said to be a matter of surpluses — some seven billion dollars worth of farm commodities which the government either owns or holds under loan. As a result of the careless use of the term “surplus,” we are expected to believe that the farm problem exists because there are “too many farmers” or “farmers produce more than we need.”

Actually, the surplus exists only because the government has tinkered with the market mechanism. Prices for commodities have been set above where a free market would set them; there is insufficient demand *at those prices* to move the available supply. As a result, stocks have accumulated.

We witnessed the same phenomenon, in reverse, in wartime. The government set prices on some commodities below where a free market would have placed them and an immediate “scarcity” arose. That forcible displacement of the market as a method of allocating commodities necessitated direct rationing or other forms of allocation.

In an economic sense, with a

free market, the words “surplus” and “scarcity” simply do not exist. Only when the market is tampered with — when prices are set either too high or too low — do we find surpluses or scarcities. Unless we first recognize that the farm problem is basically a government-made pricing problem resulting from tinkering with the free market, then we are fairly certain to come up with a faulty solution.

One need cite only one example to show how government controls can raise havoc with a major segment of farm production. Before the ⁽¹⁾last war, the United States exported about half of its cotton crop annually. Nearly one-fourth of the world's exports of cotton were supplied by this country. We have lost a substantial part of the world market because our prices were fixed by government above the world market price.

While thus arbitrarily withdrawing from world markets, we have directly stimulated cotton production elsewhere in the world. This has occurred in Mexico, Argentina, Turkey, and other nations, in part financed by United States government loans.

To make matters worse, this has come at a time of growing technology in the development of synthetic substitutes for cotton

fibers. Such developments are praiseworthy and would no doubt have come in a free market, but they received an uneconomic stimulus because of cotton price-support programs.

A result of this fiasco is that we now find ourselves with excess carry-over equal to one year's crop of cotton in government warehouses. Aside from its economic consequences, this constitutes an international political football.

One could supply further illustrations with wheat and other products. For example, we have witnessed the per capita consumption of butter in this country cut in half in a few years. Many factors have contributed to the rise in the consumption of other edible fats but part of the blame must be laid at the door of government for pricing butter out of the reach of consumers and into government warehouses.

Some argue that farm "surpluses" are only a temporary thing and that with our population growing so rapidly, if we can just hold on for 10 or 20 years, our population will outrun production and surpluses will turn into scarcities. Such an argument is nonsense. The present so-called surplus production is merely an artificial situation arising because

prices are arbitrarily set higher than the free market will bear. Even if the population doubled in ten years — with the present output of food — if prices were then set higher than the market, there would still be a surplus.

But farmers are not getting their "fair share" of the national income, some say, or they cannot afford to "live as they should," and we must do something to help them. Indeed the government has demanded of all taxpayers for nearly a century that they help farmers make two blades of grass grow where only one grew before. Tax funds have been used for farm research and education. Whether in spite of or because of these subsidies, farmers have become more efficient through better varieties, better breeds, better feeding, better cultural practices, and better mechanization. Compared with 25 years ago, 34 per cent fewer farmers, working fewer hours, are now producing 54 per cent more. Truly amazing! But now it is said that they are producing too well and something must be done about it.

WE SHOULD be proud of the increased efficiency of farmers, but such an accomplishment makes sense only if the market is left

free to move this phenomenal production.

Suppose the framers of our Constitution had adopted the "parity" principle for farmers. Suppose they had set about to guarantee farmers their "fair share" of the national product. Had that happened, the chances are that 90 per cent of our population would still be farmers. Farm support programs tend to keep the inefficient farmers on the farm and to discourage their looking elsewhere for more useful employment.

The startling fact is that 7 per cent of our population now produces 90 per cent of our food and fiber—an accomplishment certainly not attributable to the various farm programs with which agriculture recently has been "blessed." The industrial revolution, marked in part by increasing farm efficiency, made it possible for farmers to decrease proportionately in numbers while industrial workers increased. Can you imagine an economy in this country today with 90 per cent of the workers on farms? Who would produce the automobiles, the transportation, the educational institutions, the doctors, the theaters, the fine homes, the recreation, and the arts? One could go on and on enumerating what we

consider as making up the high standard of living we now enjoy. In an economy with nearly all the workers on farms, the standard of living can consist of little more than food, clothing, and shelter; and these only in meager amounts.

The solution of the farm problem depends on a free market for farm products. True, that would speed the exodus of farmers to other occupations—but to the benefit of all concerned. The high-cost producers of farm products would find they could improve their economic status by working elsewhere. And now is the best time for that shift. Historically, the greatest movement of families from the farm has come when jobs were plentiful in the villages and cities. Only in severely depressed times, such as the 1930's, has this movement been reversed. Who knows—the time may come when only one worker in 100 will be needed on the farm. But it cannot come if we continue to subsidize inefficient farmers.

Changing one's occupation is a highly individual problem and one which collective planning can only complicate and confuse. This is as true for farmers as for school teachers or grocery store operators. We all know persons who prefer remaining in an occupation even though they might do better

economically by changing jobs. One often observes an elderly couple operating a farm years after it has ceased to be profitable. That should be their privilege if it is their individual decision and if others are not forced by governmental action to become partners with them. The rising generation of young people from such farms may find what appear to them to be better opportunities elsewhere.

A SIZEABLE group of persons concerned with the farm problem believe that agriculture must be "protected" or subsidized because of a powerful organized labor force or because industry is "protected." This group seems to believe that the solution to a little socialism is total socialism. They seem willing to set up a socialized agriculture just because the economy is not completely free elsewhere. As one writer stated: "It is an axiom of economic history that an unsubsidized business cannot compete with a subsidized one." That statement demands careful inspection.

Assume, for example, that labor is organized and able to command wages higher than would prevail in a free market. Assume that this results in higher priced tractors or trucks or other needed farm equipment. Assume that some

items of a farmer's cost of production are higher than they would be otherwise because they are produced behind a tariff wall or some other trade restraint. Does this mean that farmers cannot meet these higher costs except as they receive guaranteed prices set above a free market or as they receive direct subsidies? Not at all!

If farmers' costs of production rise, *regardless of the reasons*, and incomes do not rise to offset them, then this is a signal to some of them to turn to a more profitable occupation. It may be a signal to others to try to produce more efficiently — to use more machinery, or more fertilizer, or expand their acreage or otherwise meet the rising costs.

People will buy food. They will pay as much as necessary to get what they need. This demand will bring out the needed production, assuring enough farmers a satisfactory price to produce it. This is not to say that all of the farmers will be perfectly happy with the situation; but those who feel most unhappy about it will turn elsewhere.

This is in no way a defense of labor monopolies, subsidies, or special privileges of any sort for any person or group. It is merely to say that a free agriculture *can*

exist and prosper alongside these evils. The evil effects of "protected" industry and labor monopoly will be felt throughout the economy generally, but no more by farmers than by others.

SOME PERSONS worry that, with a free market for agricultural products, only the most efficient farmers can stay in business. Actually, 40 per cent of the present farms account for about 90 per cent of total sales of farm products. The remaining 60 per cent include many farms that are too small, or the operators lack sufficient capital or experience to be efficient in the modern ways of farming. These farms produce very little for sale and the owners are often part-time farmers. Last year, work off the farm accounted for nearly 6 billion dollars of a total net income of 20 billion dollars received by persons living on farms.

With the decentralization of industry — expansion into small cities and villages in rural areas — there never was a better time for persons living on farms to find profitable employment off the farm.

Suppose we revert to a free market for agricultural commodities. Wouldn't the change cause tremendous hardship? Of course,

there would be problems for individual farmers. Some would find they could no longer remain farmers. But that process has been going on for decades and accounts for our economic progress. Admittedly, it would be difficult to correct mistakes that have been pyramiding for 30 years.

The growing efficiency of commercial farms develops in spite of recent government programs. With mechanization, family farms have increased in size by absorbing the less efficient farms around them. About one-third of all farms and tracts sold in the past year were bought for farm enlargement. This healthy trend can continue to the benefit of commercial farmers and consumers. Even the farmers who sell may benefit from finding more profitable employment elsewhere and from an improved economy generally. This is not a program to force small farmers off the land — of "plowing the farmer under." Far from it! It would merely give farmers the opportunity to decide for themselves, free from coercion, what course to take in their own best interest.

Trying to live with the present 7 billion dollars of "surplus" farm commodities is indeed a grave and staggering political problem. The government owns or holds under

loan more than \$10 worth of cotton for every inhabitant of the country. All surplus farm commodities amount to more than \$40 worth for each person and about \$1,400 worth for each farmer.

A SOBER conviction is spreading among thoughtful persons that the disposal of the surpluses on hand calls for economic rather than political action. The solution calls for transfer of these accumulated stocks to private ownership and control. The method is to allow prices to find the level the free market will bear. It seems likely that supplies in government stockpiles have quite as depressing an effect on market prices as though the goods had never been withdrawn from private ownership. Refusal to accept this fact serves merely to aggravate and prolong the farm problem.

To the extent that there is need for any of the surplus commodities now in government hands, enterprising private investors, including farmers, would be glad to

purchase and hold these supplies. Competition between them would preclude anything like a total collapse of farm price structures should the government release its holdings.

Restoring the free market to farm products at a time of unprecedented industrial activity in this country would benefit nearly everyone. Taxpayers (and who isn't?) would avoid the staggering cost of purchasing and storing commodities; marginal and sub-marginal farmers would be induced to seek more profitable employment off the farm; commercial farmers could go back to producing for a market they know exists; and the entire economy could once more get back to a steadily rising productivity, beneficial to everyone.

For nearly 30 years, we have tried political schemes of all sorts to solve the farm problem. It is time to try a plan that we know will work — one that has been time tested over nearly a century and a half — a free market for agricultural products.

A Proven Failure

THE POLITICAL approach to the solution of farm problems is a proven failure. The way to improve farm income and farm prices is to reduce, not increase, government interference in the pricing and production of farm commodities.

As FRANK CHODOROV Sees It



The Single Plank Party

“YOU FELLOWS,” say the interventionists, “don’t know what you want. You are always against, never for, anything. And you are often in disagreement as to what you are against. Some of you are against tariffs; others are not. You all talk about the free economy and small government, but you never agree on what limits you would put on government powers and on what its function should be in a free economy. A few among you would go so far as to abolish public schools, which you call government schools, and there is a fraction among you who sound like nihilists. Why don’t you libertarians get together on a common and positive program?”

Thus do our ideological opponents twit us for our lack of conformity and purposiveness. One could easily reply that conformity is characteristic of life in a prison where the inmates are united on the single purpose of getting

out. Or, one could point out that the interventionists are not quite in agreement on the degree of interventionism they want, ranging from middle-of-the-road socialism to outright communism. But, while such rebuttal is good for debate, it fails to establish the very affirmative position of all libertarians, a position that is far more positive than that held by all socialists, except the ones who call themselves communists.

To put it succinctly, the libertarians, no matter how much they may differ on the details of attainment or on the minutiae of doctrine, are all *for* freedom. What can be more positive than that? The differences that arise among libertarians stem from the barriers to freedom that have been erected by the interventionists; a few of us would throw caution to the winds and tear these barriers down without further ado; but most of us recognize that the cure, in the short run, might be worse than the disease, and are willing to contend for position