

A PRICE POLICY FOR AGRICULTURE

Mr. President, Ladies & Gentlemen:

A price policy for agriculture. When your executive secretary in Oklahoma City, Dan Arnold, relayed to me your invitation to meet with you today and discuss that topic, I accepted. Not because I wanted to talk but because I wanted to listen. Not because I have the answer to the problem, but because I feel that I might learn something from you that would point the way to a sound price policy.

I am glad to have the opportunity to meet with you. I have utmost confidence in your patriotism, independence and ability to think through the answers to these problems. You and other Oklahoma farmers have demonstrated your ability to cut through obstacles of all kinds to produce the food that we need and I think you can cut through the haze of confusion to produce the solutions we need to our farm problems. I am convinced that if and when we attain a practical workable agricultural program, that is fair to all concerned, it will have its origin in groups like your Farm Bureau. Farm problems always have been and always will be solved by the man with his feet on the soil and not by the man with his feet on a desk.

I do not mean to imply that all office or ~~gum~~ other government agricultural workers are unnecessary. In a country as far-flung and complex as the United States, each has his place. What I do mean is that only the farmer really understands the farmers' problems and their solution. That has always been the attitude of The Farmer-Stockman. That is why members of our staff always have spent much time in the field, visiting with farmers among their crops and in their barns. That is why we started our Farmers' Forums early this year, in co-operation with county agents and Oklahoma A. & M. college extension service. We found that by calling together small selected groups of ~~manma~~ representative farmers, we not only could get a very good idea of what farmers are thinking but could get right at the heart and the solution of the problems faced by that particular type of farmer.

Results have been most enlightening. Last June we held a Forum in this section that was attended by a group from Kiowa county. They outlined what they expected to happen if

the government in Washington delayed announcing a policy for handling feed and livestock and drouth problems. The delay/continued/and you have been seeing happen just what those ranchers said would happen.

I am glad that your Farm Bureau follows a similar policy of giving the farmers a chance to talk, instead of devoting the entire program to speeches by congressmen, co-ordinators and efficiency experts. You know, an efficiency expert is a man whose business it is to tell you how to run your business and who gets paid more for telling you how to run it than you could possibly make out of it/^{even}if you ran it right instead of running it the way he tells you to.

In your discussions here today, you represent democracy at work. Every member has a voice and the will of the majority is accepted. I say that the United States department of agriculture and other agricultural leaders will do well to study your final conclusions, for they are very apt to be right.

* * *

There are many angles to this topic, a Price Policy for Agriculture. There is no clear-cut indication as to what direction may be the best road to follow. I do not know, and the many theories and often wholly impracticable suggestions advanced by the nation's farm leaders clearly assert that even the best minds are not agreed as to which is the better plan.

However, there are several points that I do want to bring before you today. I will present them with brief comments concerning my own point of view. You probably won't agree with all of them. I hope you don't. I may be wrong. But there is one thing I do hope to achieve. That is to get you started to thinking about some of these problems, perhaps a little more seriously than ~~in the past~~ you have heretofore. I want you to consider some of these ~~present emergency~~ wartime emergency programs in the light of a long time program, should they become permanent. There is always the possibility that temporary bureaus and emergency programs become permanently attached and what works all right to meet a particular situation may not be a good thing in the long run. Personally, I think we American people stand to lose the very freedom that we are fighting for if some of the set-ups we now have are projected very far into the postwar period.

PARITY

As a starting point, let's take a look at parity. The average farmer's definition of parity is "a fair price for our products". I think that is all any farmer wants and that is all that most farmers are asking. The objective of parity or a fair price is a point that we can agree on. How to achieve it and retain the right to operate our own farms as we see fit, how to preserve free enterprise and avoid excessive red tape and bureaucracy is the problem.

As a matter of information, I'd like to quote from an official government release the official notion of parity.

"If farm products can be exchanged for as many goods---primarily manufactured or processed items---as during the 1909-14 period, the prices at which those products are sold are AT PARITY. If farm products can't be exchanged for as many manufactured products as during the base period, prices are BELOW PARITY. If farm products can be exchanged for more manufactured products than during the base period, prices are ABOVE PARITY.

"The official definition of parity, the definition that applies to most crops, is as follows: 'The parity price for any agricultural commodity is that price for the commodity that will give to the commodity a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity in the base period; and in the case of all commodities for which the base period is the period August 1909 to July 1914, which will also reflect current interest payments per acre on farm indebtedness secured by real estate, tax payments per acre of farm real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period!'"

I think that definition should be placed in the hands of farmers, so that they may determine, in the light of their own farms, whether it is an adequate definition. It has been questioned many times, particularly for not including in the list of costs, the item of farm labor. I give it to you as a point for consideration. If it is satisfactory, let it stand. If it is unsatisfactory, your preferred revision deserves consideration by official Washington and congress.

PRICE CONTROL

One of the bitterest pills we have had to swallow during the war has been price control, as administered by the OPA and other agencies. Unpalatable as it is and as complicated as it becomes, ~~in~~ some control of prices was necessary. I think the difficulty lies, not in the fact that prices are frozen or have ceilings placed on them, but in the prevalent conviction that many ceilings are inequitable.

For one reason or another (and I probably will agree with the main reason you give) the government has attempted to apply price controls piece-meal as the main cause of ~~the~~ major portion of inequitable price ceilings. This was a mistaken notion---with reasoning much like the little boy who cut off his dog's tail an inch at a time so it wouldn't hurt so much.

When it became apparent that piece-meal price controls had resulted in unequal or unfair price ceilings, the OPA set about to adjust them by calculus, trigonometry, economics, politics and red tape. It hasn't worked out and probably will be impossible to ~~normalize~~ get unbalanced prices back into adjustment with supply and demand by artificial means.

I doubt if there is any man who can sit down with statistics and price lists and figure out what the price relationship between two articles should be. Who can tell me what cottonseed cake should sell for per ton to give the rancher a profit of 1 cent a pound when fat steers are selling for 12 cents a pound delivered at the terminal market?

Nevertheless, with its shortcomings and inequities, price control probably is necessary and is intended as a public protection. The mistake I mentioned above cannot now be corrected. For the ~~duration~~ duration of the war we must make the best of the price control system we now have. In spite of foolish regulations, surplus lawyers and lack of understanding, its good probably outweighs the bad and will save us more than it costs.

The big danger is that it may grow into a permanent bureau, destroying initiative and free enterprise, ~~the things that~~ two of the things that have made this nation great.

SUBSIDIES

Now let's turn for a few minutes to the matter of subsidies. This, too, has been highly controversial and I want you to consider what I have to say in regard to subsidies in relation to some remarks I will make later on in connection with price supports.

In spite of the fact that congress has expressed considerable opposition to the subsidy idea, along with the Farm Bureau and various other agricultural groups---if fact, I might say, most farmers and most others affected by it--- the subsidy program is a reality. It became a reality largely by directives issued by bureaus created by congress as war emergencies. Rep. Hatton Summers of Texas touched upon this thought recently when he said: "Representative government is withering before our eyes....Bureaus issue what are called directives. One bureaucrat said---WE DO NOT MAKE THE LAW. THIS ORDER SUPERSEDES ANY LAWS OPPOSED TO IT." Be that as it may, we have subsidies and there are strong indications that we are to have more of them. Why?

As nearly as I can figure out, it is because ~~the~~ our paternalistic national administration has decided that we ought to have them. Let's look at the reasons given for subsidies.

THEY ARE TO SAVE MONEY FOR CONSUMERS BY ROLLING BACK PRICES, MAINLY FOR FOOD. This according to figures available might, at the ~~present time~~ outside, amount to some 25 or 50 cents a week for the family that spends \$10 a week for groceries, an insignificant amount, particularly when consumers (except for certain salaried groups) are making more money than ever before and there is less need for a consumer's food subsidy than ever before in the nation's history.

THEY ARE TO GIVE THE FARMERS HIGHER PRICES. This is a fallacy and optical illusion, because the government itself says that the subsidy is to make up the difference for processors who are to continue paying farmers the SAME price while selling to consumers at a LOWER price or present prices. Ceilings will see to it that farmers do not get any appreciable price increases.

THEY ARE TO BENEFIT THE PROCESSOR BY ENABLING HIM TO MEET FARM PRICES AND STILL SELL AT RETAIL PRICE CEILINGS. If this were true, why would most processors be opposed to subsidies and the red tape, paper work and other problems involved?

SUBSIDIES ARE TO PREVENT INFLATION. Again, a fallacious reasoning. Consumers are drawing record ~~now~~ high wages as a result of high government war plant wages. Even if food subsidies actually did roll back prices substantially, it would only mean these workers would have more money to spend for things they don't need or things that are scarce, which has been widely publicized by the government as one of the main causes of inflation.

SUBSIDIES WOULD SAVE US MONEY. They obviously cost us money. All of us are buying war bonds---a very good thing and something that should be continued. Yet the government pays us interest on our money in war bonds and it pays interest on money borrowed from other sources. Since, according to the constitution, we are the government, we are the ones who pay the interest. If this war bond and other borrowed money is spent for consumer food subsidies, however small, it means that our war dollars are being spent to retain labor's votes rather than to buy guns and ammunition, as we intend. These debts must be taken care of in one of two ways----repudiated or paid. Repudiation means inflation such as occurred in Germany after the other World war. Payment means that it must ~~and~~ will be paid by you and men in years to come and by our soldiers and sailors after they return from battle.

Right here I want to ~~insert~~ read you a paragraph from a recent news story and some correspondence I had in regard to it.

Farm Subsidy Fund Is Asked



Food Chief Seeks 500 Million Loan Power for 1944

WASHINGTON, Sept. 29. — (P) — War Food Administrator Marvin Jones asked congress Wednesday to extend life of the Commodity Credit Corp. and increase its borrowing power by \$500,000,000 so that the government might make and fulfill guarantees to farmers of somewhat higher prices for 1944 crops.

Such guarantees would be made through subsidies to support prices.

Appearing before the house banking and currency committee, the food chief said WFA's 1944 "all out" food production program will be based on the assumption of increased farm costs.

Definite Support Price

"In order to increase production," Jones said, "we want to be able to meet that rise (in production costs) in our farm price supports."

"In my judgment, the best way to get production is to have a definite support price that will last throughout the season. It should be high enough to cover the added risks and hazards that go with increased production. And it should be announced early."

"This means that the government would stand ready to buy any surplus of a commodity that might not flow into the regular channels at the time, and to absorb whatever loss may be necessary."

Fight Living Cost Rise

CCC funds would be used to support farm prices and to cover any losses which might occur. The life of CCC will expire January 1 unless extended in the meantime. The requested \$500,000,000 additional borrowing power would give CCC around \$1,000,000,000 to finance next year's farm program. The agency already has \$500,000,000 available for this purpose.

In connection with expected higher farm production costs next year, Jones pointed out the government is attempting to prevent further increases in food prices. He said:

"You, of course, are familiar with the effort to stabilize consumer prices. We are also committed to a policy of getting a larger production of food this year than last. This may make necessary some additional support prices."

Jones also asked a change in the present Commodity Credit Corp. law which prohibits sale of any government-owned commodity except grain for feeding at less than the parity price.

Read

Jones said

oute 2,
a "pro-
ner to
nt ra-
Flying
. His
rrest
City,
this
is to

ri-
by
'a-
on,
es,
ok
22
or
ce
ds
i-
te

Chief Receives Subsidy Advice

WASHINGTON, Oct. 24.—(P)—One of President Roosevelt's long standing friends on capitol hill has cautioned him that a majority of the senate not only opposes continuation and expansion of the food subsidy program but apparently is in the mood to pass anti-subsidy legislation even over his veto.

So tightly do the interests of Democratic senators from the rural south dovetail with those of the Republicans from the mid-west farm area, this lawmaker said, that it is hard to imagine how the coalition could be disrupted by anything the president might say in his food price subsidy message, expected this week.

A bill forbidding subsidies to keep down retail food prices already has been approved by the house banking committee and is expected to be acted upon by the representatives early next month.

The bill continues the life of the Commodity Credit Corp. from Dec. 31 to July, 1945, but does not grant the extra \$500,000,000 borrowing power which the administration asked for the CCC. It also prohibits fixing ceilings below support prices.

Congressional rejection of the subsidy ban was called for by the National Lawyers guild in a statement Sunday.

Earlier, Secretary of Commerce Jesse Jones, while declaring he would follow orders, stated: "If you let the law of supply and demand take its course, no subsidies are needed. The subsidy plan will reduce production instead of increasing it."

While he was WFA, Chester Davis told a senate committee: "I believe that a general dependence upon a broad subsidy program as the chief instrument in holding prices in line, or in expanding production, would be dangerous and would not accomplish the things we seek."

PRICE SUPPORTS

This brings us down to price supports, which have been mentioned as an inconsistent stand on the part of farmers. Many who oppose subsidies favor price supports for their crops and livestock. This is to obtain a fair price, or parity. Again the objective is well and good. The question is, what is the best way to attain it.

Price supports and crop loans, favored by most farmers, have been operated as a form of government subsidy, with the government absorbing or subsidizing any loss.

Lately, the masterminds of Washington have come out with a so-called redemption plan, saying: "People like to be redeemed. They don't like to be subsidized." You'll hear much of this redemption plan in months to come.

Well, whatever it is called, a subsidy is a subsidy. Nobody wants the farmer the farmer to sell below cost of production. At least nobody will admit it, not even those who insist on very low cost food. What they want is simply cheap production.

One argument for subsidies is that industry and labor have high wages, and frequently cost of production plus 10 percent for profit, while the farmer has cost of production minus his labor. Which may be true, but I ask you, should farmers demand unsound wasteful cost-plus-10% production because industry has it, or should we stand for elimination of such subsidies for industry in the interest of a perpetually free and democratic government with a minimum of control by bureaus and bureaucrats?

Should we shout, they are getting something out of the treasury and if we don't get up to the money pile, to get ours, somebody else will? What is your answer to that?

One more point: When a bureau ceases to render a service or a benefit, it comes under fire. Bureaucrats know that the best way to assure perpetuation is to hand out some cash and keep on handing it out. They know neither farmers nor anybody else with good sense will turn down a government check. They also know that as long as they can get somebody to accept money or favors, the ~~man~~ recipient is under obligation. Don't bite the hand that's feeding you, they say. Thus the more money, the more power; the more power, so on, etc.

I say that every time we accept something of this nature from the national government we must give something in return. The question that needs to be worked out and thought thru is: Is the assurance of prices through supports and loans a consistent and sound policy in view of our attitude toward subsidies? If so, well and good; let's go ahead. If not, then what is the answer?

Marketing control

Inseparable from price control, price supports, crop loans, surplus crop purchases and the like is the marketing of the crop.

Right now we have a condition in which the government is becoming the world's biggest middleman. There are the FDA, the CCC, the SMA, Commodity Exchange administration, Food Production admin., etc. etc.

One way of providing subsidies is through these agencies, by direct government buying from the producer at one price and selling to another group at another price, usually lower, with the government agency absorbing the loss. The price that is paid/probably by the govt. depends on how much noise the producer makes about low prices. The price that the item is sold for is generally influenced by the number of complaints about high prices. The loss is then passed on to the tax payer, who probably will turn out to be the guy who produced the stuff in the first place.

There are many groups in Washington, and I mean official Washington, who assert that the government ought to buy and sell everything anyway, just like they do in Russia and some other European countries. The ultimate in this ~~marketing~~ marketing control is state socialism, complete communism.

It can reach proportions wherein the govt. man will come to your farm and say:

"How many cows do you have?"

You say: "Ten."

He says: All right, you can sell five of them and keep \$5 or \$10 a head as your share to provide the standard of living that our bureau chief thinks you are entitled to enjoy."

That may sound a big far fetched, but the original 1944 farm program included an airtight farm contract plan. The news leaked out, however, and opposition developed so that it never was brought out publicly except in speeches by Marvin Jones and others to say that they had discovered no contract was necessary, that farmers would produce voluntarily.

However, similar controls are gradually being extended over farm crops, one at a time. I have here a detailed report which I won't take time now to read but which shows the situation in regard to soybeans and how the price support also worked out to be the ceiling price, with the farmer taking the rap.

TAXES

Well, we can't look at the farm price policy without considering taxes. We all know that Taxes are higher. They must be. We are spending tremendous sums of money, the size of which we cannot even comprehend. That money has to come from somewhere. We must pay taxes to pay for our right to freedom. We should offer no objection to paying taxes up to the limit of our ability. If we save America's freedom, we will get our money's worth. But we must assure the freedom of America.

There is a recent change in the attitude toward Taxes that I think should be called to your attention.

You recall there has been agitation for some time by certain administration leaders to limit the income for ~~many~~ particular groups of people. Congress rejected the proposal, but by directives, the idea has been at least partially put into operation.

Now the idea has been shifted to limit incomes through taxation. It would measure a man's taxes on the basis of what the government considers a fair living standard. That is on the basis of what a man has left, rather than on what he earns. The government would literally tell a man and his family how much it could have to live on, and then take the rest.

I want to read to you a brief excerpt from a recent report on this subject by The United States News, a magazine that I consider most authoritative for interpreting Washington events. ~~Below~~ The following appeared in the issue of October 15, 1943.

The day appears to be past when an ordinary American can hope by his own efforts to accumulate enough capital to support himself and his family in old age. The day probably is past when an ordinary American with an accumulated fortune can live in the style to which he has become accustomed.

At one time every American had the right to aspire to a modest fortune, built through effort and self-denial. That right remains, but taxes on income gradually have risen to a point where opportunity for its exercise is more and more limited. Now the Treasury, to pay no more than 50 percent of war costs, is urging taxes that would write an end to individual family savings on any appreciable scale.

It is the same story, but from another angle, for those with fortunes already accumulated. Very few individuals in the United States, under taxes proposed, could retain as much as \$25,000 a year out of current income for living expenses and savings. As in Great Britain, the day of big estates, of private yachts, even of big city homes seems to be passing, or past.

Of course, the point is made that today's taxes are temporary and that, once the war ends, the rates of tax on income can move back toward prewar.

Actually, the outlook is not that bright for two reasons. The first is that it is to require an estimated \$20,000,000,000 to \$25,000,000,000 a year to balance any postwar budget. This involves taxes at about four times the prewar rate. The second reason is that the economic planners insist that income must be leveled in order to keep business going. They insist that taxes must skim savings from the higher-income groups and distribute the proceeds through public works, Social Security and otherwise among the lower-income groups as a stimulus to consumption. Large-scale saving by a few individual families, with no saving at all by most others, is frowned upon. Instead, the average American is expected to look forward to a small annuity or a small monthly relief payment through Social Security as the reward for a life of toil.

There are many other angles to this situation. In a week's time, we could not go into all of them, and certainly we could not agree on them. As I said in the beginning, I have no answer to the farm price policy for our nation. I think the answer must come from you. If these remarks of mine have stimulated your thinking and provided you with some information to use in your discussions, they have accomplished their purpose.

(If time read statement by O'Neal)

(Also if time read outlook for 1944 farm marketings)

In conclusion I have these things to say. We must be thrifty. It is impossible to bring about prosperity by discouraging thrift or encouraging reckless spending.

We cannot help the poor by destroying the rich.

We cannot keep out of trouble by spending more than our income.

We cannot establish sound security on borrowed money.

We cannot build character and courage by taking away man's initiative and independence.

We cannot help men permanently by doing for them what they could and should do for themselves.

We cannot claim victory in this war if we win the battles for freedom overseas and lose our freedom here at home!