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Agricultural Policy Making in the United States, the 1930s to 1985: An Institutional Approach

BY ©

Xu Yi-chong

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirement for the degree of Doctor of Philosophy.

Department of Political Science

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled **Agricultural Policy Making in the United States, the 1930s to 1985: An Institutional Approach** submitted by **Xu Yi-chong** in partial fulfilment of the requirements for the degree of **Doctor of Philosophy**.

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ABSTRACT

Since the 1930s, the government in the United States has assumed a great deal of responsibility in protecting the agricultural industry and promoting the welfare of farmers. Over time the extravagance of the commodity support programs has become the target of budget cuts and the focus of mounting tension in agricultural trade relationships. Efforts have been made to have a comprehensive reform of the programs but with little success. In providing an explanation of agricultural policy -- the persistence of production control and price and income supports -- in a half-century period, from the 1930s to 1985, the study has applied the historical institutional approach. This approach draws special attention to a complex and multi-faceted set of relationships among the farm support programs, the role played by the U.S. Department of Agriculture (USDA), farm organizations and the congressional agriculture committees, and a set of formal and informal rules governing agricultural policy making and implementation. It emphasizes the durability of the agricultural institutional structures in which: the entrenched policy programs have benefitted some but not others; a set of organizational arrangements has made a choice of certain policy alternatives more likely than others; and a set of formal and informal rules, norms and patterns of practices has made it possible for agricultural policy making to be insulated from broader political considerations and enhanced the predominant role of the USDA in dealing with farmers, farm organizations and the congressional agriculture committees. This set of complex institutional structures, in sum, has provided incentives and sanctions for particular individual and group behaviours and has led to the continuity, indeed the expansion, of agricultural support programs for over the five decades.

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TABLE OF CONTENTS

ABBREVIATIONS

AAA	Agricultural Adjustment Administration
AAM	American Agricultural Movement
AMS	Agricultural Marketing Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
BAE	Bureau of Agricultural Economics
CACA	County Agricultural Conservation Associations
CAP	Common Agricultural Policy
CBO	Congressional Budget Office
CCC	Commodity Credit Corporation
CEA	Council of Economic Advisers
CIA	Central Intelligence Agency
CIEP	Council on International Economic Policy
CLC	Cost of Living Council
CSS	Commodity Stabilization Service
DAP	Domestic Allotment Plan
EC	European Community
EEP	Export Enhancement Program
EPB	Economic Policy Board
ERS	Economic Research Service
FAS	Foreign Agricultural Service
FCA	Farm Credit Administration
FERA	Federal Emergency Relief Administration
FFB	Federal Farm Board
GATT	General Agreement on Tariffs and Trade
HEW	Health, Education, and Welfare
IFRG	International Food Review Group
MITI	Ministry of International Trade and Industry
mmt	million metric tons
NAAC	National Agricultural Advisory Commission
NAL	National Agricultural Library
NCFC	National Council of Farm Corporative
NRA	National Recovery Administration
NSC	National Security Council
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OPA	Office of Price Administration
OPEC	Organization of Petroleum Exporting Countries
PIK	payment in kind
PL 480	Agricultural Trade Development and Assistance Act
PMA	Production and Marketing Administration
PPD	Program Planning Division
USDA	U.S. Department of Agriculture

ABBREVIATIONS (continued)

USTR	U.S. Trade Representative
VDAP	Voluntary Domestic Allotment Plan
WFA	War Food Administration
WFC	World Food Conference

PREFACE

This work is concerned with the relationship between government and agriculture in the United States, a much discussed yet little understood subject. It is especially concerned with the following features of this relationship. Since the New Deal, "no sector of the economy has received more systematic government attention, more technical assistance, more subsidy for research and development, more public investment in education, in energy supply, and in infrastructure, more price stabilization, more export promotion, more credit and mortgage relief."[1] The U.S. Department of Agriculture (USDA) has been seen as "the closest thing to an American MITI, [which] has a comprehensive agricultural policy as MITI has an industrial policy, and is aggressive in defending the interests of US farmers"[2] and "in helping American agriculture adapt to growing world demand as MITI has been in helping Japanese industry do the same."[3] Consistent state intervention and national planning have transformed a weak, disorganized and poverty prone sector of the economy into America's most spectacular productive success. In a society which worships the principle of individualism and favours the *laissez-faire* economy as the normal means of production and distribution of wealth, farmers, farm organizations and most politicians find congenial such entrenched state intervention in agricultural production and marketing. Furthermore, a society which is proud of its persistent pursuit of changes has found the farm programs enacted in the 1930s still essentially the same by the middle of the 1980s, despite changes in the domestic and international political and economic situation. This warrants some serious study of the inertial forces behind this development.

This study is also devoted to building a framework of policy analysis, not only for explaining American agricultural policy development but also for making contributions to general theory building in the field. Public policy studies have evinced great concern with the proper roles and functions of the state, government, social, economic and political institutions in

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[1] Quoted from **The Economics of Agricultural Policies**, Bruce L. Gardner, New York: Macmillan Publishing Company, 1987.

[2] C.V. Prestowitz, Jr., **Trading Places: How We Allowed Japan to Take the Lead**, New York: Basic Books, 1988, p.270.

[3] Ezra F. Vogel, **Comeback: Case: by Case: Building the Resurgence of American Business**, New York: Simon and Shuster, 1985, Chapter 8: "Agriculture: Export Promotion."

managing national economies. The recent revival of the discipline of political economy and resurgent interest in the role of state in policy making have challenged i) purely economic explanations of economic development and ii) the notion that policies are mainly the political results of a bargaining process in which powerful groups determine the policy outcomes. However, there has not been agreement on any one heuristic tool for pursuing research in public policy or political economy studies. Instead, there has been an ongoing debate among several theoretical approaches.

Theories have to be built step by step, by one generation of scholars after another, in one issue area then another. To determine why some theories are better than others, empirical studies are needed. As one prominent political economist, Susan Strange, points out:

> Indeed, hard empirical work is needed in every aspect ... There is no substitute for it. Any young hopeful starting out in the field is well advised to get to know something. Only by mastering one corner, however small, past or present, at home or abroad, where politics and economics, states and markets interact peculiarly with each other is it possible to acquire the confidence to test for oneself the theoretical explanation put forward by others, and to develop explanatory theories that are more than mere word-plays and metaphorical analogies.[4]

Studies focusing on the role of states and markets have been done on many issue areas (ranging from inflation, unemployment, financial problems, health care, the energy crisis, to environmental protection).[5] However, there has not been much primary concern over the role of government, state officials and, most important, institutional structures in agricultural

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[4] Susan Strange, "International Political Economy: The Story So Far and the Way Ahead," in **An International Political Economy**, ed. by W. Ladd Hollist and F. LaMond Tullis, Boulder: Westview Press, 1985, p.22; Robert Keohane and other scholars have also been calling for systematic empirical research, guided by theory. (Robert O. Keohane, "International Institutions: Two Approaches," International Studies Quarterly, v.32, 1988, pp.379-396).

[5] Edward O. Laumann and David Knoke, **The organizational State: Social Choice in National Policy Domain**, Madison: University of Wisconsin Press, 1987; William D. Coleman and Grace Skogstad, eds., **Policy Communities and Public Policy in Canada**, Toronto: Copp Clark Pitman, 1990; G. John Ikenberry, **Reasons of State: Oil Politics and the Capacities of American Government**, Ithaca: Cornell University Press, 1988; John L. Campbell, J. Rogers Hollingsworth and Leon N. Lindberg, **Governance of the American Economy**, New York: Cambridge University Press, 1991; David A. Lake, **Power, Protection and Free Trade: International Sources of U.S. Commercial Strategy, 1887-1939**, Ithaca: Cornell University Press, 1988.

development and policy making, especially in the United States.[6] Perhaps this is because of the widely accepted view that in the U.S. "the institutional structure is fragmented and permeable, participation is pluralistic and fluid, and coalitions are often temporary and ad hoc,"[7] and that the state is nothing more than an arena for interest group competition. American agricultural policy making has always been used as an example to show how private interests have directed government officials to make policies in their favour. This has de-emphasized the government's persistent and pervasive involvement in agriculture as an independent player with its own rationale and interests.

It is argued in this study that agricultural policy making in the U.S. has been a business of the agriculture community,[8] in which the USDA, as a representative of the state, has taken the lead in initiating policy alternatives, defending farm interests and regulating group activities. It emphasizes the role institutional structures have played in agricultural policy making. Institutions are understood as the formal and informal rules by which individuals and organizations (private as well as public) function, interact and are constrained. Such rules make certain changes and policy options possible and others unlikely. The constraining forces of the agricultural institutional structures are the focus of this study.

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[6] Most work on American agricultural policy making has adopted a pluralist approach. Recently several scholars have challenged the view and adopted either a state-centric or corporatist approach. Their work focuses either on specific commodities or on specific period of time which they have found the state played the dominant role in policy making. For example, Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," Political Science Quarterly, v.97, 1982, pp.255-278; Gregory Hooks, "From An Autonomous to a Captured State Agency: The Decline of the New Deal in Agriculture," American Sociological Review, v.55, 1990, pp.29-43; Brigitte Young, "Does the American Dairy Industry Fit the Meso-Corporatist Model?" Political Studies, v.38, 1990, pp.72-82. This work challenges the view that the USDA, the representative of the state, has been captured by powerful farm organizations, especially the Farm Bureau, since the end of the 1940s and the view that on the whole agricultural policy making in the U.S. is dominated by agribusinesses and large commercial farmers.

[7] Gary Mucciaroni, "The Garbage Can Model & the Study of Policy Making: A Critique," Polity, v.24, 1992, p.466.

[8] The term "agriculture community" used in this study is consistent with literature on "policy communities." Rhodes defines policy community as a network characterized by stable relationships, restricted membership, vertical interdependence and insulation from other network and institutions. (R.A.W. Rhodes, **The National World of Local Government**, London: Allen & Unwin, 1986). In this study, the agriculture community in its modern formation was established with the passage of the New Deal agricultural legislation. The policy programs, economic relationships established by the legislation, formal and informal rules governing political behaviour of individuals, groups and government agencies, and their relationships together formulate this policy community. Since it emphasizes formal and informal rules governing the behaviour and relationship, the concept is used in line with that of institutionalism. (For more detailed discussion, see Chapter One).

PART I
THE ANALYTICAL FRAMEWORK

CHAPTER ONE
HISTORICAL INSTITUTIONALISM

1. Various Approaches in Agricultural Policy Making

Approaches developed by both political scientists and economists help us to understand the nature of modern economic and political problems in American agricultural policy making and to build a theoretical framework which stresses the dynamic nature of policy making processes and, thus, to develop an adequate interpretation of the determinants of public policy making. Five categories of approaches are most helpful in providing some insights into developing a framework for this study: democratic pluralism, the neo-Marxist state-centric approach, state-centric institutionalism, economic institutionalism, and policy community and policy network approaches. However, initially two things need to be made clear: first, although there is a risk in treating together several different approaches in each of the above categories, it is believed those discussed under each heading share some fundamental assumptions and hypotheses. Second, while these five categories of analysis in the study do not exhaust the range of explanatory options, they are sufficient to identify critical concepts and hypotheses and define variables which are relevant in this study.

1.1 Democratic Pluralism

Democratic pluralism is an ideology, a bundle of political practices and an analytical model. Its latter function blossomed in the 1950s in reaction to Nazi-authoritarianism and Soviet-communism. Since then most works on agricultural policy making have adopted this approach. Scholars have started with the assumption that in a democratic society, like the United States, there are multiple, overlapping, decentralized interest groups, and power and control are "ubiquitous" among them. In the area of farm price support legislation a typical statement is that "the making of agricultural policy is importantly influenced, some may say even uniquely influenced, by the competing and sometimes conflicting goals of farm organizations and related policy-oriented groups."[1] Centring their attention on farm group activities and congressional behaviour, scholars have concluded that "the most successful farmer is less adept at farming the land than farming the government," and "the success of many a politician and lobbyist may have more to do with the ability to milk the system than with voicing the legitimate concerns of constituents."[2]

The common assumption of these studies is that since the competition of disparate groups and popular representation are the key elements of liberal democracies, as long as legislators pay heed to the demands of a wide range of groups present in heterogeneous constituencies, they will tend to support policies that satisfy the greatest number of people. Moreover, since political equilibrium depends on the presence of a multitude of interest groups and the efficiency of each group in producing pressure as measured by "the number of persons in different groups,"[3] government policies usually reflect the interests of those groups which are the largest. The argument that in liberal democracies there is a representational balance among countervailing interests so as to produce the "public interest" also coincides with the liberal economic argument that some hidden hand can help keep market demand and supply in balance. In each case, the government is seen as no more than an arbiter, having no autonomy, and is simply manipulated by influential special interests pursuing "predatory" activities.[4]

Having agreed with the argument that groups are not equal, and that they compete in gaining access to the national policy making circle, some scholars have studied the ability of farm groups to influence farm policy making, which depends upon the resources available to the interest group, which "include members, material resources, group cohesion, and group structure."[5] Others have tried to demonstrate the relationship between membership of farm

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[1] Harold G. Halcrow, **Agricultural Policy Analysis**, New York: McGraw-Hill Book Company, 1984, p.16.

[2] Gordon C. Rausser and William E. Foster, **A Coherent Policy for U.S. Agriculture**, working paper No.412, Berkeley: University of California, April, 1986, p.3.

[3] Gary S. Becker, "A Theory of Competition Among Pressure Groups for Political Influence," Quarterly Journal of Economics, v.98, 1983, p.371.

[4] Jagdish N. Bhagwati, "Directly Unproductive Profit Seeking Activities," Journal of Political Economy, v.90, 1985, pp.988-1002; Gordon C. Rausser, "Political Economic Markets: PERTS and PESTS in Food and Agriculture," Journal of Agricultural Economics, v. 64, 1982, pp.821-833.

[5] Kenneth J. Meier and William P. Browne, "Interest Groups and Farm Structure," in **Farm in Transition: Interdiscipline Perspectives on Farm Structure**, eds., David E. Brewster, Wayne D. Rasmussen and Garth Youngberg, Ames: Iowa State University Press, 1983, p.50.

organizations, their representation in Congress and policy outcomes,[6] concluding that government activity should be seen "as maximizing the society's joint income subject to redistributional demands, inevitably costly to satisfy, that reflect the differential political power of various interest groups."[7] Others focus on how interest groups influence decision making. Studying the 1977 and 1981 farm legislation and the American Agricultural Movement (AAM), for example, Browne examines the participation of organized interests and concludes that:

> Policy decisions are influenced as organized private interests either directly manipulate or assist policy makers in handling three sets of variables: the formal and informal rules by which policy is made, positive knowledge or the analysis of policy problems and their solutions, and value knowledge about the emotional and traditional appeal of certain policy proposals and goals.[8]

It has been argued that in agricultural policy making groups do not compete as freely as traditional pluralism assumes. Rather their activities are routinized and institutionalized into a complex policy-making machinery that combines public and private decision-making bodies. Farm organizations are seen as the primary vehicle of farmer political influence on agricultural policies through lobbying relationships with the commodity-specific subcommittees of both the House and Senate Agriculture Committees and the program executives in the USDA. This relationship has been characterized as an "iron triangle of power" giving the producer a monopoly of influence over the policies affecting their interests.[9]

The concept of such a self-regulated sub-governmental system is different from the concept of "sectoral corporatism," which also studies the relationship between private and public sectors. Corporatism emphasizes the partnership between highly organized labour and highly organized business, political parties and government bureaucratic agencies, which mobilizes

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[6] Laurellen Porter, "Congress and Agriculture Policy," <u>Policy Studies Journal</u>, v.6, 1978, pp.472-479.

[7] Bruce L. Gardner, "Discussion," in **The Role of Markets in the World Food Economy**, eds. D. Gale Johnson and G. Edward Schuh, Boulder: Westview Press, 1983, p.225.

[8] William P. Browne, **Private Interests, Public Policy and American Agriculture**, 1988, p.241.

[9] Theodore J. Lowi, **The End of Liberalism: The Second Republic of the United States**, 2nd edition, New York: W.W. Norton & Company, 1979, Chapter 4; Laurellen Porter, "Congress and Agricultural Policy," <u>Policy Studies Journal</u>, v.6, 1978, pp.472-479; Browne, **Private Interests, Public Policy and American Agriculture**, James T. Bonnen, "Observations on the Changing Nature of Agriculture Policy Decision Processes," in **Farmers, Bureaucrats, and Middlemen**, ed. Trudy Huscamp Peterson, Washington, D.C.: Howard University Press, 1980, pp.309-329.

support for the system of centralized and concentrated governance.[10] The concept of iron triangle, to the contrary, emphasizes "private expropriation of public authority" and reduced "capacity of modern government to govern responsibly, flexibly, and determinatively."[11] As a consequence, to show the power and durability of agricultural policy subsystems, scholars focus their studies on the size and strength of interest group coalitions,[12] instead of the role of public agencies or the structural forces of this policy making machinery.

One of the important and lasting achievements of pluralism is that it has brought attention to the nature of competition in liberal democracies. From the perspective of the present study, it also shows some weakness. Pluralists have argued that government policy is the "resultant of effective access by various interests"[13] and that "governments correct market failures with the view that they favour the politically powerful,"[14] assuming that the better a group is organized and the greater number of members it has, the easier it is to get access and influence in policy making processes. Therefore, it is not surprising to observe the interventions and assistance of the federal government in the Great Depression, when the rural-farm population was one-quarter of the nation. If this is the case, then why did these protectionist efforts persist (and expand in the 1980s) when the rural-farm population had shrunk to 2.2 percent of the nation?[15] The rural

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[10] Peter J. Katzenstein, **Small States in World Markets: Industrial policy in Europe**, Ithaca: Cornell University Press, 1985

Studies have shown that dairy industries in the U.S., Canada and some European countries have developed corporative institutional arrangements in policy making. The inherent conflict between producers and dealers made it possible and necessary for the state to intervene and mediate conflicts by incorporating the groups in policy formulation process. (Brigitte Young, "Does the American Dairy Industry Fit the Meso-Corporatist Model?" Political Studies, v.38, 1990, pp.72-82; Wyn Grant, "Models of Interest Intermediation and Policy Formation Applied to an Internationally Comparative Study of the Dairy Industry," European Journal of Political Research, v.21, 1992, pp.53-68) Such studies emphasizing the meso-corporatist institutional arrangements further demonstrate the necessity to examine institutional variables in a policy domain if policy politics can be understood.

[11] Lowi, **The End of Liberalism**, p.68.

[12] Ross Talbot and Don F. Hadwiger, **The Policy Process in American Agriculture**, San Francisco: Chandler, 1968.

[13] David Truman, **Government Process: Political Interests and Public Opinion**, New York: Alfred A, Knoff, 1951, p.507.

[14] Becker, "A Theory of Competition Among Pressure Groups for Political Influence," p.371.

[15] CEA, **Economic Report of the President**, Washington, D.C.: Government Printing Office (GPO), 1988, p.360.

vote ceased to determine which party occupies the White House or controls Congress long ago.[16] Eligible farm voters now make up less than 5 percent in farm states, and much less in states like New York and California, whose votes are crucial in presidential elections. Out of 435 congressional districts, only 80 can be called farm districts.[17] If "number" is the main factor affecting the political influence of groups, we would not have found farm interests well represented in national policies.

Furthermore, political influence, according to pluralists, depends on how well a group is organized. The better a group is organized, the more able it is to manipulate the "preferences" of its members in order to achieve its desired objectives. The problems with farmers and their organizations are that, first, "farmers have not on the whole been organized" and, second, "what organization the farmers have had has tended to be unstable."[18] Other studies also show that "the percentage of farmers all the rival groups organized ... is very low, no more than 35 percent."[19] The low rate of organization among farmers is partially due to the fact that they are widely divided because of different regional and commodity interests. Commodity groups and general farm organizations often do not see eye to eye; and when farmers do join general and/or commodity groups, they do so to enjoy financial benefits offered by these organizations rather than pursuing some purposive policy goals.[20] The fragmentation among farmers and their organizations has created a perfect opportunity for government agencies to wield power to achieve their preferred policy objectives. They have done so in the name of protecting one of the nation's basic industries and helping it to compete in an unfair world market.

When Gourevitch points to the significance of conscious choices by actors and groups that have common and identifiable goals and purposes, he means that policies emerge from the

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[16] Charles N. Hardin, "Farm Political Power and the U.S. Governmental Crisis," Journal of Farm Economics, v.40, 1958, p.1648.

[17] Kenneth L. Robinson, **Farm and Food Policies and Their Consequences**, New Jersey: Prentice-Hall, 1989; Meier and Browne, "Interest Groups and Farm Structure;" Bruce L. Gardner, **The Economics of Agricultural Policies**, New York: Macmillan Publishing Company, 1987.

[18] Mancur Olson, **The Logic of Collective Action: Public Goods and the Theory of Groups**, Massachusetts: Harvard University Press, 1971, p.148.

[19] Graham K. Wilson, **Interest Groups in the United States**, Oxford: Clarendon Press, 1981, p.19.

[20] This is shown by the fact that many farmers are members of several organizations at the same time, which may or may not pursue same policy objectives.

formation of winning coalitions among mobilized groups.[21] There are three major factors as determinants of public policy in this contention: the strength or weakness of identifiable, mobilized groups in society; the interests of these groups; and their actual capacities and skills to enter into coalition. Recognizing the reduced farm population, poorly organized farm groups and weakening farm political power, scholars have tried to demonstrate how other societal groups have supported farmers and farm organizations in farm policy making through their representatives in Congress. They have studied how urban and rural politicians, and politicians representing different commodity interests, have traded their votes to preserve and expand the existing farm programs.[22] However, "'interest group' politics including logrolling cannot effectively explain voting behaviours; ideological considerations appear to account for a great many political and judicial decisions."[23] The legacy of farm programs and the legacy of the persistent efforts of government agencies are not clearly understood without explaining why politicians have been willing to trade votes in favour of farmers whose political clout was becoming increasingly insignificant, and without taking into account the most important actor in farm policy making, the USDA and its high officials.[24]

Finally, while the neopluralist approach recognizes institutionalized and routinized group activities, it emphasizes the role of farm groups in building clientele relationships with the USDA's agencies and congressional agriculture committees' subcommittees. However, later studies have shown that the structure was neither created nor strengthened solely by farm groups.

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[21] Peter A. Gourevitch, "International Trade, Domestic Coalitions, and Liberty: Comparative Responses to the Crisis of 1873-1896," Journal of International History, v.8, 1977, pp.281-313; Peter A. Gourevitch, "Breaking with Orthodoxy: The Politics of Economic Policy Responses to the Depression of the 1930s," International Organization, v.38, 1984, pp.95-129.

[22] Weldon V. Barton, "Coalition-Building in the United States House of Representatives: Agricultural Legislation in 1973," in **Cases in Public Policy Making**, ed. James E. Anderson, New York: Praeger Publishers, 1976, pp.141-161.

[23] Douglass C. North, "A Framework for Analysing the State in Economic History," Explorations in Economic History, v.16, 1979, p.250.

[24] It is argued in this study that the USDA was the actual holder of power in agricultural policy making and policy implementation. Its power and policy initiatives were supported by an ideology and an institution. This argument is confirmed not only by more disinterested observers, like the World Bank and the OECD, who tend to reject the view that agricultural policies are the resultants of farm organizations' interests, but also by scholars, who basically believe pluralism work in the U.S., showing the declining ability of farm organizations in influencing national decision making. (OECD, **National Policies and Agricultural Trade: Country Study, United States**, Paris: OECD, 1987; World Bank, **World Development Report**, New York: Oxford University Press for World Bank, 1986; Robinson, **Farm and Food Policies and Their Consequences**, 1989; Gardner, **The Economics of Agricultural Policies**, 1987).

At the very least, the USDA, as an organization, has fostered such relationships and has always been ready to defend them. By looking at only one part of the structure, studies have distorted the development of the relationships. Moreover, once such relationships are established, they generate their own life and resist change. That is, as an established institutional structure, the agricultural community (to be explained later) has had its vested interests, its own rules of the game, norms and patterns of practices, formal and/or informal, which restrain, if not bind, members' behaviour. Examining the activities of participants without paying attention to the institutional context gives a less-than-complete picture of the policy process.

1.2 Marxist State-Centric Approaches

Considering state intervention in agriculture as "one of the most extensive and sociologically significant forms of intervention of the modern state,"[25] some scholars have emphasized the state and its role in agricultural policy making and agricultural development. Hightower's book, **Hard Tomatoes, Hard Time**, is an empirical study employing neo-Marxist instrumentalism, which sees the state as an "instrument" of the dominant class.[26] The implication of this approach is that, to rule effectively, members of the dominant class or their functionaries must occupy important positions of the state apparatus and directly shape state policy in the interests of capital. To show that this is indeed the case, Hightower carefully documents how representatives of corporate agribusiness and large capitalist farms occupy private and public decision-making roles in agricultural research and concludes that the formation of agricultural policy is "agribusiness, agrigovernment."[27] Groups which have direct interests at stake in

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[25] A. Eugene Havens, ed., **Studies in the Transformation of U.S. Agriculture**, Boulder: Westview Press, 1986, p.291.

[26] The principal methodological premise of the Marxist instrumentalism about the state is that the composition of state policy can be largely inferred from the composition of the state elite. One of the contributors to this approach is Miliband. His work relies on empirical data about interpersonal connections between members of the dominant class and the state apparatus, and its emphasis is on the direct interest of the ruling elite on public policy making. The relationship between the state and the dominant class is seen as one of partnership, and the state is reduced to "certain people who are in charge of the executive power of the state -- presidents, prime ministers, their top civilian and military advisers." (R. Miliband, "State Power and Class Interests," New Left Review, v.138, 1983, p.60; R. Miliband, **The State in Capitalist Society**, London: Weifeld & Nicolson, 1969).

[27] Jim Hightower, **Hard Tomatoes, Hard Time: A Report of the Agribusiness Accountability Project on the Future of America's Land Grant College Complex**, Massachusetts: Schenkman Cambridge, 1973.

research policy have been able to penetrate the state decision-making structure -- often through a revolving door of agribusiness executives moving into major government positions and then back to their corporate origins -- and directly shape state policy to their benefits.[28]

Another perspective of neo-Marxism on the state is the structuralist approach which suggests that there are systematic structural constraints on the state apparatus that tend to yield policies favourable to capital, regardless of the class composition of the state elite. However, because the state is not seen as deriving from class conflict,[29] it is responsive to working class pressures as well as capitalist demands. As the site of class struggle, one of the state's central tasks is to mediate between dominant and subordinate classes[30] in order to maintain the unity and cohesion of the "social formation." Therefore, only by being autonomous from explicit capitalist direction can the state succeed in managing society to the benefit of capitalism in general.[31]

A representative study of the neo-Marxist structuralist perspective on state agricultural policy is presented by Mann and Dickinson, two rural sociologists.[32] Focusing on historical aspects of agricultural policy in the U.S. and studying the social consequences of state intervention in agricultural production, they see the formation of agricultural policy in terms of the structural constraints faced by various state elites. They argue that since in "bourgeois society the functions of the state are carried out by agencies that are not only separate from the direct producers, but also from the mass of individual capitalists, whose competitive interactions constitute the core of the commodity economy," the interests of the state, or the interests of the capitalist system in general, may be substantially different from the interests of individual capitalists.[33] Thus, whatever policies the state has made are intended to benefit capital, the

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[28] Jess Gilbert and Carolyn Howe, "Beyond 'State vs. Society': Theories of the State and New Deal Agricultural Policies," American Sociological Review, v.56, 1991, pp.204-220.

[29] Nicos Poulantzas, **State, Power and Socialism**, London: VERSO, 1978, p.39.

[30] Goran Therborn, **What Does the Ruling Class Do When It Rules?** London: NLB, 1980, p.181.

[31] L. Althusser, "Ideology and Ideological State Apparatus," in **Lenin and Philosophy**, London: New Left Books, 1972; Nicos Poulantzas, **Class in Contemporary Capitalism**, London: VERSO, 1978, **Political Power and Social Classes**, London: VERSO, 1978, **State, Power and Socialism**, London: VERSO, 1978.

[32] Susan A. Mann and James A. Dickinson, "State and Agriculture in Two Eras of American Capitalism," in **The Rural Sociology of the Advanced Societies: Critical Perspectives**, eds. Frederick H. Buttel and Howard Newby, New Jersey: Allanheld, Osmun, 1980, pp.283-352.

[33] Ibid., p.284.

capitalist system as a whole. "In this sense, state subsidies to non-capitalist agricultural producers are not necessarily in conflict with the interests of capital as a whole."[34] In developing a critical analysis of the political economy of U.S. agriculture, another sociologist, Havens, argues that the development of modern agriculture shows the state's ideological pursuit of capitalism. While praising *laissez-faire* capitalism which encourages competitive individualism, capitalists may risk losing "control of labour power, the labour process and resources." "To accomplish these new directions of controls, a more interventionist state was required."[35] With pervasive intervention, the state not only has maintained and strengthened capitalist concentration and centralization of capital, but also has ensured the reproduction of the capitalist system.

These neo-Marxist orientations share two basic features: state action is theoretically pre-defined as being in the long-term interests of capitalism; and the state is held to be important in terms of its function rather than its specific institutional forms and the limitations that they impose. In the Marxist view social structure is simplified -- economic class is taken into account in policy making, but other societal categories (cultural differences, non-class factors) are treated as politically insignificant. Since in democratic societies, political and economic actors do not always define their interests in class terms, policy structures, processes, and outcomes cannot be directly deduced from a political-economic class analysis. Moreover, the argument that the state has relatively autonomous power to make national agricultural policies explains neither how this takes place nor what are the roles and functions of the state, government institutions, rules, social groups, etc. The whole process of policy making is overlooked.

1.3 State-Centric Institutionalism

Without arguing for a necessarily close tie between government action and the capitalist system, some scholars have focused their studies on the state and state capability to achieve its preferred policy objectives. The new wave of "statist" institutionalist perspectives tends to emphasize the primacy of government officials, institutions, procedures as well as the interaction between these elements. Within this broad state-centric approach which emphasizes the importance of the systematic nature of policy making, scholars have developed several different

[34] Ibid. p.288.

[35] Havens, **Studies in the Transformation of U.S. Agriculture**, p.37.

analytical frameworks in their studies of state building and state making,[36] comparative economic performance,[37] and foreign economic policy making in both developing and developed countries.[38] With different analytical frameworks, they share at least one view -- that is, "the state is not an inert entity shaped by historical struggles and liable to capture by society's strongest interests."[39] The idea of a distinction between the state and civil society is the precondition of the state's ability to take a disinterested view of the public interest; that is, "the fate of policy choices is shaped by the development of the state and the parties, organizations that have their historical trajectories and cannot be taken for granted or reduced to manifestations of

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[36] **Statemaking and Social Movement**, edited by Charles Bright and Susan Harding (Ann Arbor: The University of Michigan Press, 1984), is a collection of essays around two major topics: "states and statemaking" and "states and social movements." These essays acknowledge the contentious and conflictual character of the process of state formation and raise questions about the mechanisms and dynamics behind changing patterns of political access, the shifting capacities of states to pursue goals, the sources of different forms and degrees of state autonomy, and the contending interests that drive the process. Stephen Skowronek's book, **Building a New American State: The Expansion of National Administrative Capacities, 1877-1920**, (London: Cambridge University Press, 1982), is a study of national railroad regulation and an attempt to develop a theory concerning the early stage of American state building. He argues that courts and party machines were the pillars of early American state organization. Together they defined political and institutional power relationships through the governmental apparatus and established a mode of governmental operations that presumed the absence of national administrative capacities. This very fact shown in the national railroad regulation issue demonstrates that the state should be considered as an organization of power whose very existence is closely linked to its pragmatic institutional adaptations to changing demands. Its governability depends very much on the state's internal distribution of institutional power relationships.

[37] Examining the commonalities that characterize the political economies of the small states in Europe and what distinguishes them from each other, Katzenstein argues that domestic corporative structure of the state is the major reason for them to have successfully carried out a liberal external economic policy that keeps the country open to forces of the international economy. (Peter J. Katzenstein, **Small States in World Markets: Industrial Policy in Europe**, Ithaca: Cornell University Press, 1985) Therborn, comparing different (un)employment rate in 16 advanced capitalist countries, argues that only those countries which have their employment policies institutionalized before the crisis could survive the worldwide economic recession. (Goran Therborn, **Why Some Peoples Are More Unemployed Than Others?** London: VERSO, 1986).

[38] One of the best examples is Katzenstein's edited book, **Between Power and Plenty** (Wisconsin: The University of Wisconsin Press, 1978). In the concluding chapter, Katzenstein develops a concept of "policy network" to bring some order to the variety of relationships that prevail between public and private actors in advanced capitalist systems. He argues that the amount of centralization in society and in the state, and the degree of differentiation between the two, very much influence, sometimes even directly determine, the foreign economic policy outcomes. Another piece of work on this topic is a special issue of International Organization (1988). Treating the state not only as an actor in policy making, authors try to identify variables which will help us understand the relationship between the state and its foreign economic policies in the United States.

[39] Michael M. Atkinson and William D. Coleman, "Policy Networks, Policy Communities and the Problems of Governance." Governance, v.5, 1992, p.154.

the current array of social forces."[40]

Krasner and other early statist scholars emphasize state centralization more in the sense of jurisdictional and administrative consolidation of policy making. The state, defined as central decision-making institutions and roles, is treated as "unified actors pursuing aims understood in terms of the national interest."[41] In this view the state usually has an independent role in handling policy making, its own unique policy preferences termed the "national interest" and the ability to translate "its own preferences into authoritative actions."[42] This perspective highlights variables such as the territorial and functional centralization of the executive branch, the domination of the executive over the legislature, the control of material and informational resources by the state, and the ability of policy instruments to induce change in civil society.[43] It also makes distinctions between "strong" and "weak" states on the basis of the state's strength in relation to its own society.

Having studied the development of state structures, scholars show that in some societies the state emerged as an institutionalized politico-administrative machine served by officials who identified themselves with their functions, and, cut off from civil society -- over which the state tried to exercise total guardianship -- supervises that society through its administrative authorities and law, dominating it through its policy, stimulating it through intervention in the economy, and ultimately mastering it by winning over the people and bringing them to accept its own values.[44] States in such societies are supposed to be "strong." Contrary to this, the United States is argued to have a "weak" state. In the early period of the development of the United States, civil society largely succeeded in regulating itself, the various categories more or less managed to make their voices heard at the centre, and the Congress made it possible to install efficient machinery of representation.[45] However, finding that "Americans lack a sense of the state"[46] does not deny

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[40] Kenneth Finegold and Theda Skocpol, "State, Party, and Industry: From Business Recovery to the Wagner Act in America's New Deal," in **Statemaking and Social Movement**, ed. Bright, 1984, p.161.

[41] Stephen Krasner, **Defending the National Interest: Raw Material Investments and U.S. Foreign Policy**, New Jersey: Princeton University Press, 1978, p.12.

[42] Eric Nordlinger, **On the Autonomy of the Democratic State**, Cambridge: Cambridge University Press, 1981, p.203.

[43] Krasner, **Defending the national Interest**; Katzenstein, **Between Power and Plenty**.

[44] Bertrand Badie and Pierre Birnbaum, **The Sociology of the State**, Chicago: The University of Chicago Press, 1983.

[45] Badie and Birnbaum, **The Sociology of the State**; Krasner, **Defending the National Interest**.

that the U.S. does have a state: "the state was essential to social order and social development in nineteenth-century America," both as "an organization of coercive power" and as "stable, valued, and recurring modes of behaviour within and among institutions."[47] Moreover, to show that countries have different constitutional arrangements and, hence, have "strong" or "weak" states, does not explain why in a country with a weak state there is persistent government intervention in agriculture or why every industrial country, except one (New Zealand), whose states range from "strong" to "weak," has a history of extensive government involvement and protection in agriculture. The relationship between the underlying constitution and operational patterns of practice, thus, has to be examined if we are to understand all this.

In order to show that even in the United States, which has a decentralized and diffused political system, state officials have some degree of autonomy and the state is "able to develop and implement autonomous preferences," scholars have turned their attention to the political-institutional facet that highlights structural features of the state in accounts of politics and policies. This emergent institutionalism emphasizes the "broader organizational structures of the state, within which bureaucratic and executive officials operate,"[48] the ideological orientation of the state,[49] and the institutionalization of policy programs.[50]

The state-centric institutional approach emphasizes the structural relationship among societal actors and state agencies.[51] As institutions, the relationships take on a life of their own, promoting certain sets of behaviour while constraining the choices of actors. The institutional approach, while acknowledging the relative independence of the state, directs itself toward the state's role and ability to determine the relationship of various institutions, such as institutions

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[46] Theda Skocpol, "A Society Without a 'State'? Political Organization, Social Conflict, and Welfare Provision in the United States," Journal of Public Policy, v.7, 1987, p.349.

[47] Skowronek, **Building a New American State**, p.19, p.24.

[48] Ikenberry, **Reasons of State**, pp.26-28.

ith Goldstein, "Ideas, Institutions, and American Trade Policy," International Organization, v.42, 79-217; Judith Goldstein, "The Impact of Ideas on Trade Policy: The Origins of U.S. tural and Manufacturing Policies," International organization, v.43, 1989, pp.31-71.

Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," Political Science Quarterly, v.97, 1982, pp.255-278.

[51] James C. March and Johan P. Olsen, "The New Institutionalism: Organizational Factors in Political Life," American Political Science Review, v.78, 1984, pp.47-56; Peter A. Hall, **Governing the Economy: The Politics of State Intervention in Britain and France**, Cambridge: Polity Press, 1986.

of labour, capital, and the political system.[52] Without disputing the idea that the state plays a major role in determining the relationship between various actors, an extension of studies of the structural relationship between the state and the financial market's institutional forms, labour organizations, political parties, and other institutional features of a political system will help us properly identify the appropriate variables.

The state-centric institutional perspective shows its advantage over democratic pluralism and neo-Marxism. It "provides an important corrective to models of the polity that underestimate the independence of the state,"[53] offers variables which have been ignored in the previous studies -- the relationship between market forces, the market as an institution, the state institution settings, etc. -- and adds some historical perspectives "to the actual processes and conditions of making and carrying out state policies."[54] Focusing on the structural constraints on the organizational settings of the state, societal actors and market forces and on the interactive and interdependent relationships between these actors, the institutional approach has tried to show the enduring interests of institutions which are independent from the individuals in the institutions and the impacts of these interests on policy outcomes.

However, the institutional approach, linking the state and policy outcomes, is far from coherent and consistent. There has not been a consensus on what the relevant variables are for this approach and how much each variable weighs in the analysis. So we see that Ikenberry's institutional approach argues for the importance of "institutional configurations of the state" and their impact on policy making.[55] Hall's institutional approach includes more "institutions" than the state itself. It focuses on the shaping and constraining role of institutional structures of state and society, and on the historical dynamic of continuity and change that underlies these structures.[56] Goldstein argues that an idea or a belief which has been embedded in the state institutional structure dominates policy making and supplies opportunities for the state's initiatives

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[52] Hall, **Governing the Economy**; Robert Higgs, **Emergence of the Modern Political Economy**, London: JAI Press Inc., 1985; Katzenstein, **Between Power and Plenty**, 1978; Katzenstein, **Small States in World Markets**, 1985; Lake, **Power Protection, and Free Trade**; John Zysman, **Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change**, Ithaca: Cornell University Press, 1983.

[53] Hall, **Governing the Economy**, p.15.

[54] Therborn, **Why Some Peoples Are More Unemployed Than Others**, p.147.

[55] Ikenberry, **Reason of State**.

[56] Hall, **Governing the Economy**.

for policy changes. This means, "policy change depends not only on new political conditions but also on the ideas that they carry and the institutional structures they meet."[57] Lake's institutional approach draws attention to domestic societal pressures, the principal political cleavages of social groups, and their impact on the state decision-makers and decision-making process.[58]

There are more examples of institutional approaches stressing the role of the state in policy making and policy outcomes, with each study emphasizing one or more aspects scholars are interested in. This is probably the reason why a British scholar complains, "the new popularity of the term 'institution' is thus not producing a cumulatively valuable literature but a growing confusion caused by lack of consistency in the language."[59] This view can be balanced by Keohane's argument that "it makes sense to seek to develop cumulative verifiable knowledge, but we must understand that we can aspire only to formulate conditional, context-specific generalizations rather than to discover universal laws, and that our understanding of ... politics will always be limited."[60] As "cumulative verifiable knowledge," each of the aforementioned studies has contributed some useful variables to our understanding of policy formulation processes.

1.4 Economic Institutionalism

The "theory of institutional innovation" put forward by Davis and North intends to explain economic growth through tackling the problem of institutional change.[61] The approach is designed to explain, among other things, the evolution of the particular set of economic

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[57] Goldstein, "The Impact of Ideas on Trade Policy," p.32; "Ideas, Institutions, and American Trade Policy."

[58] Lake, **Power, Protection, and Free Trade**; David Lake, "Export, Die, or Subsidize: The International Political Economy of American Agriculture, 1875-1940," Comparative Study in Society and History, 1989, pp.81-105.

[59] Grant Jordan, "Policy Community Realism versus 'New' Institutionalist Ambiguity," Political Studies, v.38, 1990, p.478.

[60] Keohane, "International Institutions: Two Approaches," p.380.

[61] Scholars in this school argue that change will occur when an action group (either an individual or organized group) perceives that a modification of the existing rules will yield benefits greater than the costs of innovation. It secures the acquiescence of those who might be opposed by sharing with them the process attributable to the innovation. If the group is successful and if its expectations about costs and benefits prove correct, then the rearrangements of institutions will actually increase the productivity of the economy. In this way, institutions will slowly evolve to enter more efficient forms. This is, for Davis and North, the fundamental explanation for economic growth. (Lance E. Davis and Douglass C, North, **Institutional Change and American Economic Growth**, Cambridge: Cambridge University Press, 1971).

institutions, behavioural constraints, legal rights, and rules that define at any point in history what is commonly called the "economic system." The most important contribution it makes to this study is the identification of the institutional environment, institutional arrangement and institutional instruments. The institutional environment is defined as "a set of fundamental political, social and legal ground rules that establishes the basis for production, exchange, and distribution."[62] The institutional arrangement is the relationship between economic units that governs the way in which these units can cooperate and/or compete.[63] The institutional arrangement is the focus of their analysis. The major actors in the arrangement are: "a single individual, a group of individuals voluntarily cooperating together, and the government," which employ documents or devices to "effect the capture of income external to the existing arrangemental structures when those instruments are applied within the new arrangemental structure."[64] In explaining economic growth, their major attention is directed to the institutional change resulting in the change of the fundamental legal and social rules that govern economic and political behaviour of those actors.

Economic institutionalism has been incorporated into rational choice/public choice approaches. It is argued that since policy outcomes are the result of the combination of structure, procedure and preferences of participants, we need to examine the inspiration or impetus that has motivated individuals and groups to pursue certain policies.[65] This approach has been applied to agricultural policy studies.[66] Institutions are defined in these studies as "the rules of behaviour and roles that govern patterns of relationships and actions as well as the public agencies, private

[62] "Rules governing elections, property rights, and the right of contract are examples of the type of ground rules that make up the economic environment." (Ibid., p.6).

[63] Ibid, p.7.

[64] Ibid, p.7, 9.

[65] Fritz W. Scharpf, "Decision Rules, Decision Styles and Policy Choices," Journal of Theoretical Politics, v.2, 1992, pp.149-176.

[66] James T. Bonnen, "Agriculture's System of Developmental Institutions: Reflections on the U.S. Experience," paper prepared for the 1981 Symposium on Rural Economics, University of Laval, Quebec, Canada, October, 1981; James T. Bonnen, "Institutions, Instruments, and Driving Forces Behind U.S. National Agricultural Policies," in **U.S.-Canadian Agricultural Trade Challenges: Developing Common Approach**, eds. Kristen Allen and Latie Macmillan, Washington, D.C.: Resources for the Future, 1988, pp.21-39; James T. Bonnen and William P. Browne, "Why Is Agricultural Policy So Difficult to Reform?" in **The Political Economy of U.S. Agriculture: Challenges for the 1990s**, ed., Carol S. Kramer, Washington, D.C.: Resources for the Future, 1989, pp.7-23.

organizations, families, and other decision-making units of society."[67] That is, institutions consist of rules defining the property rights, contracts and market exchange terms for individuals, as well as their rights and privileges, responsibilities and obligations. They are the "constitutional determination of political preferences," as some scholars maintain.[68] Since institutions represent the constellation of rights and duties determining domains of choices of individual members of society, they tend to persist and endure. Furthermore, maintaining and changing institutions always involves paying costs or gaining benefits. The costs and benefits of changing these rules will determine the possibilities and feasibilities of any policy reforms and changes.

The transaction costs are seen as the determining factor to pursue or to prevent particular changes in the existing policies. There are three kinds of transaction costs: costs of obtaining information on the economic situation. costs of negotiating particular exchanges and costs of enforcing the terms of the exchanges.[69] To change the institutions which prescribe and proscribe rules and arrangements means to redistribute monetary and non-monetary costs and benefits of existing rules as well as to distribute costs and benefits of pursuing and making changes. Applying this to U.S. agricultural policy making, Bonnen and Browne have argued that modern farm programs established in the 1930s, as institutions, created incentives for farm groups to organize, actively participate in farm policy making and effectively defend the newly established farm programs. Their established positions and activities became obstacles for other actors to pursue any changes in this policy area. Moreover, a persistent agrarian ideology complicated the issue of obtaining information for change and led to "extremely high" costs for change.[70]

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[67] Bonnen, "Institutions, Instruments, and Driving Forces Behind U.S. National Agricultural Policies," p.22.

[68] Gordon C. Rausser and Pinlas Zusman, "Public Policy and Constitutional Prescription," American Journal of Agricultural Economics, May 1992, p.247.

[69] Douglass C. North, "Institutions, Transaction Costs and Economic Growth," Economic Inquiry, v.25, 1987, pp.419-428, Douglass North, "Rent-Seeking and the New Institutional Economics," in **Democracy and Pubic Choice: In Honour of Gordon Tullock**, ed., Charles K. Rawley, New York: Basil Blackwell, 1987; Oliver E. Williamson, "The Economics of Organization: The Transaction Cost Approach," American Journal of Sociology, v.87, 1981, pp.548-577.

[70] Bonnen and Browne, "Why Is Agricultural Policy So Difficult to Reform?" The high transaction costs of agricultural policy reform and the domination of private interest groups in this policy area are, it is argued, are reinforced by agrarian fundamental beliefs, which are seen as a necessary reference for understanding policy development. Agrarian fundamentalism has been passed from generation to generation and has become a social beliefs to which the country has committed. As an ideology, agrarianism structures "opportunity sets, blocking off many policy options while making others possible or even unavoidable." It shapes organizational structure and institutional behaviour. (Bonnen, "Institutions, Instruments, and

Finally, other sectors which may shoulder the costs of the programs do not see enough incentives to propose and to pursue changes, either because of diffuse interests or because of high costs for doing so. Their conclusion, drawn from studies focusing on the relationship between Congress and farm groups, is that agricultural policy making is controlled by major farm organizations which "function internally" in the policy making process to pursue and defend the benefits and privileged position they have enjoyed as a result of the modern farm programs. They and other economists, by training and disposition, believe that "markets are best when they are the least manipulated by extramarket forces,"[71] and argue that since government has been so involved in agricultural industry and its decision making is so much controlled by farm organizations, the costs of pursuing changes are extremely high. Therefore it is difficult to see changes in this policy area.

Economic institutionalism, with an emphasis on "the humanly devised constraints that structure political, economic and social interaction,"[72] provides us with many useful concepts and ideas in policy analysis. It leads our analysis of actor behaviour by reference to institutional constraints and opportunities, which constitute or empower the actor in the first place. The basic elements of institutions, such as codes of conduct, norms of behaviour, informal constraints, stable interactive relationships, ideological overtones, and the like, determine the institutional shape, identity and operation. Without understanding the cooperative and competitive relationship between these variables, it is difficult to understand the development of policies and policy politics.

1.5 Policy Communities and Policy Networks

Having realized that comparing the configurations of the state structures of various countries, or studying interest group behaviour, cannot always explain why countries pursue similar policies in one policy area despite the variations of their political systems, some scholars have developed the concepts of policy communities and policy networks. They argue that, since policy processes differ considerably across policy domains, policy community and policy network

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Driving Forces Behind U.S. National Agricultural Policy," p.22).

[71] Daniel W. Bromley, "Economic Institutions and the Development Problem: History and Prognosis," in **Social Science Agricultural Agendas and Strategies**, eds., Glenn L. Johnson and James T. Bonnen, East Lansing: Michigan State University Press, 1991, p.III-36.

[72] Douglass C. North, "Institutions," Journal of Economic Perspectives, v.5, 1991, p.97.

are the key to understanding differences in policy making in Western democracies.[73]

A policy community is defined as "networks characterized by stability of relationships, continuity of highly restricted membership, vertical independence based on shared service delivery responsibilities, and insulated from other networks and invariably from the public."[74] By definition, the concept of policy community emphasizes stable and relatively exclusive institutionalized relationships of participants in a policy area, demonstrating mutual relevance, common orientation and shared major concerns. Three variables are important in the analysis of policy communities: "the entry barriers they present to potential entrants or outsiders; their stability, in terms of their ability to absorb change without undermining the fundamental stakes of the key participants; and their internal cohesion."[75] Thereafter, however, scholars do not agree how to portray various participants in a policy community. Some follow the pluralist tradition, focusing on "the personal relationships between major political and administrative actors"[76] and arguing that both the society and government agencies are fragmented and groups compete for getting access to the policy making circle. Meanwhile, they recognize that in each policy area there are only a certain number of groups competing with the fragmented segment of the government agencies. That is, there is a relatively stable number of groups involved in any one policy area, who have formed close ties with both politicians in Congress and individual government agencies in charge of the particular policy area. The important set of relationships between these participants in one policy area is called a policy network.

Studying the development of American agricultural policy making from 1919 to 1980, Hansen in his dissertation argues that "the relationships of legislators and interest groups are the main axis of policy networks" and the dealings between farm groups and congressional agriculture committees decide the relationship between farm groups and the bureaucracies and,

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[73] Coleman and Skogstad, **Policy Communities and Public Policy: A Structural Approach**; Laumann and Knoke, **The Organizational State**; Martin Smith, **The Politics of Agricultural Support in Britain: The Development of the Agricultural Policy Community**, Britain: Dartmouth, 1990.

[74] Rhodes, **The National World of Local Government**, p.2.

[75] Grant, "Models of Interest Intermediation and Policy Formation Applied to an Internationally Comparative Study of the Dairy Industry," p.57.

[76] Hugh Heclo and Aron Wildavsky, **The Private Government of Public Money**, London: Macmillan, 1974, p.xv.

therefore, decide the policy results.[77] The locus of the study, therefore, is at the micro-level -- "the **behaviour** of government elites," especially those sitting in the congressional agriculture committees.[78] Obviously this study differs very little from ones studying iron-triangles or subgovernment policy making. Both have argued that agricultural policy making in the United States has been captured by a coalition of powerful farm groups and congressional committee members. In fact, Hansen has no intention to dispute the latter argument. Both have emphasized "mutual assistance": interest groups provide technical and political information to politicians and politicians, to seek (re)election, provide farm groups with access to policy making. This being the case, the author concedes that groups have no monopoly on information and advice , and politicians no complete control over access to policy making. Therefore, we need to examine something more than individual behaviours of people involved in policy making.

Another group of scholars focusing on policy communities and policy networks have adopted the state-centric approach. They recognize the stable "sets of private and public actors that are differentiated readily from other sets, that have their own specialized organizations, and that are relatively interdependent."[79] Moreover, they have argued that to understand policy making in an issue area it is important to examine more than the actions of individual pressure groups or politicians. The structural factors involved have to be examined. "Structure is the 'culturally patterned behaviour of groups and practices of institutions.'"[80] Thus, as institutions, policy communities and policy networks are more than a sum of individuals; they are the combination of the accepted and committed social beliefs and routinized practices of institutions, demonstrating continuity, implicit authority structures and tremendous structural incentives and constraints on individual and group behaviours. They cannot simply be reduced to something else. They are self-regulating and self-contained. In contrast to the pluralist argument that a policy network is an open field for competition, the policy-community approach, with its emphasis on the state's determining role, holds that a policy community is not merely an arena; it is also a

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[77] John M. Hansen, **Creating A New Politics: The Evolution of An Agricultural Policy Network in Congress, 1919-1980**, PhD dissertation, Yale University, 1987, p.7.

[78] Ibid. p.7.

[79] William D. Coleman, "The Banking Policy Community and Financial Change," in **Policy Communities and Public Policy: A Structural Approach**, p.99.

[80] Martin Smith, "Pluralism, Reformed Pluralism and Neopluralism: the Role of Pressure Groups in Policy-Making," Political Studies, v.38, 1990, p.319.

"function of the sort of authority needed to make decisions."[81] It is a relationship which demonstrates an enduring nature and is governed by sets of rules, formal and informal, which determine how decisions are made and who participates in policy making.[82] These sets of rules are not only acknowledged and accepted by members of the community but also by others who, by the requirement of the constitutional democratic policy making procedures, have to participate in deciding the issues at stake in a general way.

In his study of agricultural policy making in Britain from the 1920s to 1980s, Smith focuses on two important internal structures of the agricultural policy community, the ideological and the institutional. "The ideological is the dominant set of beliefs which are held by all those involved in the community [and] the institutional structures involve the organizations that are used for policy making."[83] The shared beliefs of the community members and the institutional structures determine that only certain members are provided access to policy making and only certain policy issues are allowed to be discussed in the community. The continuous exclusion of issues and members is the real reason for the persistence of British government intervention in the agricultural industry and economy. The usefulness of this study is obvious since ideas and beliefs constitute one of the most persistent sets of factors in deciding policy formulation and policy results. In almost all western democracies, agrarian fundamentalism is a belief that public and government officials share, which insists upon the importance of agriculture in a country's political, economic and social life. Such ideas have been institutionalized in policy programs and organizational arrangements. They define the perceptions and policy preferences of both policy makers and the public and, therefore, set parameters for policy consideration and policy formulation.

The institutional structures involved in agricultural policy making are often exclusive. Smith argues that the closed policy community is due to two factors -- departmentalism and clientelism. The former means that not only decisions concerning agriculture are usually made by the Ministry of Agriculture; more important, the Ministry itself over the years has developed

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[81] Helen Ingram, **Water Politics: Continuity and Change**, Albuquerque: University of New Mexico Press, 1990, p.36.

[82] Fritz Scharpf, "The Joint-Decision Trap: Lessons from German Federalism and European Integration," Public Administration, v.66, 1989, pp.239-278; Scharpf, "Decision Rules, Decision Styles and Policy Choices."

[83] Smith, **The Politics of Agricultural Support in Britain**, p.45.

its own interests which need to be defended and expanded. "Clientelism involves the development of a relationship between a department and an interest."[84] By establishing a clientele relationship between the department and major farm groups, agricultural policy making becomes more predictable and therefore reduces unnecessary conflicts in the process. Departmentalism and clientelism are strong forces for creating a policy community and also are major factors which allow the members of the community to restrain alterations in the policy agenda with which they want to deal.

The important point raised by policy community perspectives is that, to understand policy making in a policy area, structural incentives and constraints have to be studied. The concepts try to recapture the role of political actors in interaction in one specific policy area and thus focus on institutional variables, such as the institutional structure, ideological beliefs, formal as well as informal rules, norms and patterns of interactions.

2. Historical Institutional Approach

To develop an adequate theoretical framework in analysing agricultural policy making in the U.S., this study has drawn on several of the approaches indicated above and developed a "historical institutional" approach. It is historical because it notes that the historical development of institutions has influenced organizational structures as well as policy programs. Change and continuity of policies have their roots in historical circumstances, distinctive patterns of policy process, substance and choices of the past. The past does not determine the future. It does, however, make certain outcomes more likely and others less so. It is institutional because the whole set of policy programs is an economic institution which defines and governs the market exchange relationship and the policy-making process. Both the market exchange relationship and the policy making process are constrained by the institutional structure which provides incentives and sanctions for individuals and groups and thereby makes order of their relationships. Any institution has its distinct identity and continuing existence and possesses significant assets which belong to that institution alone, not its individual members. It is from this foundation that institutional interests in public policy making arise.

Institutions are construed to connote a wide range of elements which include formal organizations, policy structures, procedures, experiences, formal and informal rules governing

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[84] Ibid., p.50.

individual and group relationships that together enhance governing capabilities -- particularly those that foster effective policy ideas, cohesive legislation and effective implementation. Institutions shape the relationship between individuals, groups and government agencies by prescribing sanctions and rewards and a common framework that reduces the uncertainty and transaction costs of their interaction. Change and development of institutions are also constrained by the economic and political environment in which they operate.

The *institutional environment* refers to the general political and economic situation in which agricultural policies are formulated and agricultural development takes place. The political situation alters with changes in executives, turnover of legislators, major international events, such as the outbreak of the Cold War and the detente between two superpowers in the early 1970s. The economic environment refers to both domestic and international macro-economic situations, such as the rate of inflation, the rate of economic growth, the balance of payments and the financial situation. Market forces affect politics. The systematic relationships between these forces and certain configurations of governing institutions and coalition patterns cannot be understood without knowledge of the political and economic situation which affects the perception of economic problems and policy preferences of individuals and groups and condition policy designers to work out policy options. The institutional environment is fluid and in constant change and thus invokes challenges. This is the dynamic aspect of the institutions.

Institutions have two sets of elements. One is the dominant social values, a set of formal rules, compliance procedures, standard operating procedures, professional codes and social norms.[85] The other is the institutional arrangement/institutional setting, which refers to both formal organizations and the cooperative and competitive relationships among actors.[86] In turn, these two sets of elements govern the development of institutions as well as the activity of people involved. The dominant social values consist of various political, social and economic ideas and beliefs embedded in society and held by the public and policy makers. They are often encased in laws and institutional structures that serve the objectives of these values. "Given that institutions embody values, they will attempt to preserve their dominant values, and that form of

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[85] Hall, **Governing the Economy**; Davis and North, **Institutional Change and American Economic Growth**; Keohane, "International Institutions: Two Approaches;" March and Olsen, "The New Institutionalism: Organizational Factors in Political Life."

[86] Davis and North, **Institutional Change and American Economic Growth**; Hall, **Governing the Economy**.

resistance is perhaps more entrenched than mere defence of, or opposition to, policies and programs."[87]

The dominant social belief in agricultural policy making is agrarian fundamentalism. The essence of Jeffersonian agrarian fundamentalism is carved on the seal of the USDA: "Agriculture is the Foundation of Manufacture and Commerce." The belief has political, social and economic implications. Politically, it argues that self-reliant family farms are the basis of any democratic system. Socially, it argues that farming, as a nation's fundamental way of life, encourages personal independence and strengthens state building. Economically, it argues that farmers must be prosperous if the nation is to prosper.[88] Each dimension of agrarianism is significantly related to major American values, such as freedom, independence, equality. This linkage of general values and specific beliefs regarding family farms and agricultural industry is what gives agrarian fundamentalism such enduring vitality.[89] As a shared myth, it is the glue that holds the agriculture community together and, as an ideology, it is a way of making sense of the world by defining and ordering it. It is a powerful force supporting the established order and shaping

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[87] B. Guy Peters, "The Policy Process: An Institutionalist Perspective," Canadian Public Administration, v.35, no.2, 1992, p.162.

[88] In the United States, agrarian fundamentalism is rooted in Jefferson's belief that "Those who labour in the earth are the chosen people of God if ever He had a chosen people, whose breasts He has made his peculiar deposit for substantial and genuine virtue." (quoted from Grant McConnell, **The Decline of Agrarian Democracy**, Berkeley: University of California Press, 1959, p.6) It is argued that since farmers are close to land, they are close to democracy. Family farms are the foundation of a free republic and the prosperity of a democracy. Jeffersonian agrarianism was merged with Alexander Hamilton's economic centralism, arguing that in a manipulated economy when other industries were organized and somewhat helped and regulated by government, self-reliant family farms had to struggle in a hostile environment. Farmers had to depend on a completely separate marketing and processing system dominated by a small number of very large oligopolistic producers (price-makers) who could use their unequal bargaining power to squeeze farmers (price-takers). In an incomplete free market, farmers needed the state to represent, speak, protect and fight for their interests. Without government protection and support, competition between well organized industries and unorganized agriculture would drive bulk of farmers off the land and in turn undermine the foundation of the American democratic system. (Joyce Appleby, "Commercial Farming and the 'Agrarian Myth' in the Early Republic," Journal of American History, v.68, 1982, pp.833-49). The idea that the good health of agricultural industry is the basis for a healthy national economy is still widely endorsed, despite the fact that agriculture takes merely less than three percent of the national gross domestic products. "If agriculture goes into the drain, so does everything else" is the ethos which has dominated agricultural policy making for decades. (Interview to E. [Kika] de la Garza, Chairman of the House Agriculture Committee, September 27, 1990, Longworth Building, Congress of the United States).

[89] Joseph J. Molnar and Litchi S. Wu, "Agrarianism, Family Farming, and Support for State Intervention in Agriculture," Rural Sociology, v.54, 1989, pp.227-245; Michael G. Dalecki and C. Milton Coughenour, "Agrarianism in American Society," Rural Sociology, v. 57, 1992, pp.48-64.

political activities and policy preferences of the public as a whole.[90] "The reigning values of a society tend to be very long-lasting and stamp public policy with a definite pattern over long period of time."[91] Agrarian fundamentalism was institutionalized in two ways: first, by establishing an organizational structure promoting and protecting this belief, and, second, by enacting a series of policies reflecting the belief to shield farmers and agricultural industry from challenges of other sectors in the domestic economy and from the same sector in other countries.

Policies are important elements of institutions because any legal order guarantees individuals certain rights and authority, which facilitate exchange by shaping their expectations of a certain market order and of policy makers to make certain decisions. Policy is thus "a defined and relatively specific sphere of government activity involving a particular package of legislation, organization, and resources."[92] When we study farm programs, we study pieces of legislation which lay down the rules of the game and provide resources and manpower to achieve certain objectives set up in the legislation. The modern farm programs were created in the 1930s under President Roosevelt and Secretary Wallace to meet the heartfelt needs of the depression. The Agriculture Adjustment Act of 1933 introduced the concept of parity which set minimum prices for particular crops guaranteed by government. This legislation also instituted a voluntary acreage reduction program, idling the number of acres planted to meet market requirements. Intended to be a temporary measure for economic emergency in the 1930s, this Act's provisions, with modifications, were still effective in 1985, when the farm population had dropped from 25% in the 1930s to merely 2.2% in the middle of 1980s, the income disparity between the farm and non-farm sector had greatly decreased and the domestic and international economic situation had changed greatly. Thus, as a basic legal framework for agricultural production, marketing and distribution, the agricultural economic institution is pervasive.

The institutional arrangement/institutional setting in agricultural policy making refers to the agriculture policy community defined as "networks characterized by: stability of relationship;

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[90] Keeping farmers on the land was an attractive slogan that pleased those engaged in farming and farm-dependent economic activities and struck a sympathetic chord with urban people of rural ancestry or with rural family ties, as well as those who believed that farmers -- more than any other groups -- contributed to the social stability and moral fibre of society.

[91] Bonnen, "Institutions, Instruments, and Driving Forces Behind U.S. National Agricultural Policies," p.21.

[92] Brian W. Hogwood, **From Crisis to Complacency? Shaping Public Policy in Britain**, New York: Oxford University Press, 1987, p.6.

continuity of a highly restrictive membership; vertical interdependence based on shared service delivery responsibilities; and insulation from other networks and invariably from the general public."[93] The importance of understanding these variables in an institutional context is that, as part of the institution, policy communities reflect historically distinctive combinations of material circumstances, social patterns of thought, power relationship of entrenched organizations and patterned procedures. Their resistance to change and inertia are affected by a number of factors, which include, for example, the ability to alter their environment, mitigate challenges, control resources and invoke legitimizing norms by enacting certain laws and administrative regulations guiding practice and performance and by collecting and distributing information to cultivate public support. In the process, the activities and functions of individual or group participants of the community are guided and the development of their relationships is governed by the established, formal and informal, rules, norms and patterns of practices, which "are largely resilient to the turnover of individuals and have impacts independent of the personal attributes of those who occupy particular positions."[94]

The stability of relationship in a policy community is the product of the established organizations, especially the state apparatus, which has the legitimacy and ability to absorb changes and challenges rather than making changes to fit others. Continuity of a highly restricted membership in a policy community is the result of entry barriers. Very often policies make it very difficult for outsiders to enter the industry as well as to participate in its policy making. Economic and political requirements for entering an established policy domain can be very high because policies, as ground rules governing the industry and its policy making, tend to favour participants. It thus requires greater collective mobilization, which in turn requires greater central coordination, something which is often lacking in a newly-organized group.[95] Finally, the interdependent relationships foster the mutual interests of all participants in a policy community to establish a set of formal and informal rules governing the operation of the community and the behaviour of individual members.

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[93] R.A.W. Rhodes and David Marsh, "New Directions in the Study of Policy Networks," European Journal of Political Research, v.21, 1992, p.182.

[94] Gary Mucciaroni, "The Garbage Can Model & the Study of Policy Making: A Critique," Polity, v.24, 1992, p.466.

[95] Alexander Gerschenkron, **Economic Backwardness in Historical Perspective, A Book of Essays,** Cambridge: Harvard University Press, 1962.

Examining the historical salience of these institutional variables, we can better understand the conditions under which the institutional structure of economic governance changes, the role that the agricultural community has played in the transformation and, more important, how the USDA has influenced economic governance and performances in the policy domain and why it has been so difficult to make substantial changes in agricultural policies.

3. The Agricultural Policy Community in the U.S.

Several factors contributed to the creation of the agricultural community. First, to emphasize scientific farming and effective management of the industry, the Department from the very beginning was committed to recruiting university-trained professionals instead of patronage politicians. These technocrats and managerial elites have had significantly different views from those of rugged, individualistic farmers. The former believed that to compete with other sectors of the economy, the farming industry needed order, efficiency and stability to replace uncontrolled and self-reliant farming. To bridge the gap between the view of planned efficiency and autonomous individualism, the USDA nurtured an institution of associated sectors. It incorporated university scientific research on farming and management into the Department's activities by forming various associations and sponsoring annual meetings for these associations, such as the American Association of Land-Grant Colleges and Universities. In some areas, the Department was able to integrate the research under the umbrella of its bureaus, such as the Office of Experiment Stations. In doing so, the USDA created a network of professionals whilst extending the influence of the Department and encouraging cooperation between the private and public research institutions.

To cope with the difficult times in agriculture after World War I, the Department created the Bureau of Agricultural Economics in 1922 as the central planning agency made up of trained technicians and administrators and having the power of determination deriving from their expertise. As the economic situation worsened during the depression, it became evident that efficient production based on technological development and education alone could not assure farm prosperity. With the enactment of the Agricultural Adjustment Act of 1933, a new institutional network was created. The Agricultural Adjustment Administration (AAA) was perforce a large Washington agency from its inception, with the land-grant colleges as partners of the initial effort and with extension services and experiment stations to unify, coordinate and mesh the efforts of education agencies, the Department and individual farmers. This group of professionals in the USDA demonstrated their scepticism as to the efficacy of rugged individualism and blind competition and showed a willingness to act, a desire to push programs, and a propensity toward ever larger organizations of farmers, professional specialists and program administrators. By the end of World War II, the professional view of farming as a business requiring central planning and regulation had become widely accepted among agricultural economists in the USDA and the land-grant colleges and among farm organizations created with the help of the Department. The agriculture community as a whole was accepted and supported by the norms which placed a great deal of faith in administrative expertise and USDA agencies as legitimate and effective guardians and representatives of the farm interests.

Unlike farmers in Britain who formed an alliance with commercial interests or German farmers who were in league with the ironmasters, farmers in the United States were never part of the permanent coalition of political power which controlled significant areas of public policy making.[96] In fact, major farm organizations were nurtured by the efforts of the Department to forge a public and private partnership. The Smith-Lever Act of 1914 established a national agricultural extension service, with its county agents as educators and organizers of farm activities. With the help of county agents who were paid as government officials, the American Farm Bureau Federation was established in 1920. Created by the department, the Farm Bureau Federation never acted as an initiator of policies but as "a broker of ideas in farm policy"[97] between a group of highly trained specialists in the USDA, the agriculture research network and self-reliant farmers. Indeed from the very beginning group activities were part of the department's routine.

In the 1930s, when the federal government enacted the modern farm programs, it also strengthened the established partnership between the Department and its clients. To mobilize support for the new farm programs, the USDA organized agricultural county planning committees formed by USDA officials, county agents of experiment stations and extension services and farmers. These committees were given the responsibility to distribute valuable allotments of areas and subsidies. "The AAA farmer committeemen, in fact, became a recruitment pool from which the AAA bureaucrats were selected."[98] Formation of these committees also offered an

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[96] Hardin, "Farm Political Power and the U.S. Governmental Crisis."

[97] McConnell, **The Decline of Agrarian Democracy**, p.59.

[98] Don F. Hadwiger, "The Old, the New, and the Emerging United States Department of Agriculture," Public Administration Review, March/April 1976, p.156.

opportunity for commodity producers to organize among themselves, with the government agencies in charge of these commodity programs. As a consequence, commodity groups came into being, well organized and backed up by USDA bureaus. Thus, later cooperation between the USDA and farmers and their organizations in institutionalizing production control and price supports was merely an extension and development of the agriculture community.

Despite the apparent symbiotic development of the USDA and its clients, they are neither reasonably equal in strength nor equally important, as pluralism might argue. Power distribution in the agriculture community, as it is in other policy communities, is asymmetric.[99] Among all the relevant forces in the community, the USDA is the predominant one which sets the rules of the game for other members to play. It has developed into an entrenched bureaucracy to champion the cause of farmers and to implement its missions with whole-hearted enthusiasm while promoting its own interests, which may or may not be consistent with those of its clients. Its capacity to do so derives from its organizational component, its position in both the executive and the agriculture community, and the mandate it received when it was first created.

As a member of the executive family, the USDA often has the blessing of the President in its legislative operations, and consequently is able to speak with considerable force to offset the restraints placed upon it by members of the agriculture community. As a spokesman of the agriculture community, the USDA has enjoyed a position of expertise to play off challenges from other government agencies and social and economic sectors. Moreover, the mandate it acquired when it was created -- to serve and protect the interest of farmers and agricultural industry -- has required the USDA to be the major interpreter of the needs of farmers and the agricultural industry. The mission was institutionalized into the organizational structure over the years. This has made it possible to maintain its capabilities in mobilizing bias in favour of farmers (especially large commercial farmers), and mediating, channelling and shaping social demands and expectations in terms of agricultural policy making. These capabilities also include control of organizational mechanisms, which have allowed the leading bureaucracies to include some interests but exclude others. "By shaping the routes to power and the tools of administration, institutions help determine which political issues emerge as subjects of debate, which groups become allies in the ensuing fight, and how capable of acting on its interests a given coalition will

[99] Rhodes, **The National World of Local Government.**

be."[100] Control of the policy agenda is an important element for maintaining the survival and integrity of the agriculture community. Finally, organizationally, the USDA has been one of the largest government agencies, with well-trained experts from land-grant colleges taking positions as researchers, policy analysts and policy makers. Whoever controls information gathering and analysis controls the initiatives of policy options. This is one of the important sources of power in the policy making process.

"The nature and functioning of political interest groups are dependent upon the social and political environment within which they operate."[101] Since the 1930s, farmers seem to have had the blessing of every administration. This is mainly because, first, the interests of farmers and agriculture as a whole were treated as the responsibility of the USDA. Second, to protect and maintain a healthy farming industry is the desire of the nation as a whole so long as the myth of agrarian fundamentalism prevails among the majority of people in the country. Farmers have generally enjoyed a favourable environment when they demanded government actions in pursuing their interests. Without forming a governing coalition with other societal groups, farm groups were part of transient political deals. Policies made in favour of farmers were more the result of public support and the USDA's efforts than the independent efforts of farm groups to control government agricultural policy making. The nature of farm politics has determined that farmers and farm organizations had to depend on the USDA for protection from competition from other government agencies representing the interests of other economic and social sectors. Farmers' dependence on government to protect their interests became even more acute as the challenges increased from their foreign counterparts.

Congressional agriculture committees were over-represented by politicians from farm states over the decades, and this gave farmers an advantage to realize their policy goals. Yet, these committees were also dependent upon the USDA to provide policy analysis, relevant information gathering, and policy alternatives. This became critical for the committees as farm programs became more and more technically complicated. The USDA represents and attempts to protect the interests of farmers, and both farmers and congressional committees look to the USDA for information on the economic situation and policy alternatives, while the USDA

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[100] Zysman, **Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change**, p.295.

[101] Richard W. Gable, "Interest Groups as Policy Shapers," The Annals of the American Academy of Politics and Social Sciences, v.319, September 1958, p.85.

depends on farmers and agriculture committees to support its existence and expansion. The interdependent relationship of the participants of the agriculture community means neither the equal position of all participants nor the takeover of the USDA by private interests. To the contrary, the interdependent relationship allows the government agency legitimately to exclude other interests in agricultural policy making and, thus, to maintain a relatively closed policy agenda.

All policies affect later policy making because they prescribe the rights and obligations of government and individuals. They outline the benefits part of society is to enjoy and the costs other parts are to pay. It is reasonable to point out that those who have benefitted from the legislation want to maintain the status quo, and their favourable position in the legislation provides them with an advantage to defend their position. Thus, it is reasonable to say that laws, policies and statutes, are inherently static and conservative because they are created to maintain the existing institutions and provide stability to the society. That is why policies have tremendous inertial forces, which are called policy legacies. In agriculture, large commercial farmers have benefitted a great deal from the farm legislation passed since the 1930s, partially because many USDA officials and researchers believe they have the responsibility to protect and support those farmers who produce the most for the country and the world. Since they have benefited the most, these commercial farmers are the ones who have defended these policies the most, with the blessing and support of USDA officials and politicians in Congress. One way to do so is to keep the policy agenda as closed as possible to prevent challenges from other parts of the agricultural industry and from other economic and social sectors. The competitive and cooperative relationship between all the beneficiaries of farm programs thus became obstacles to the removal of any defects, as well as the cement for policy stability, by making it difficult to mobilize sufficient support to reverse policy programs already enacted. This is only one type of transaction cost in pursuing policy changes.

The transaction costs in agricultural policy making are extremely high also because, to reform, information about the particular economic situation and about the existing policy programs and policy options is needed. The complexity of the agricultural industry and policy programs has accumulated over the decades and makes it extremely difficult to decide who bears the monetary and non-monetary costs for the existing policies and for changing these policies. This means that whoever has the control of information collection and gathering and the expertise to work out policy alternatives will have the advantage to reduce this cost by employing this control and expertise. Second, negotiating a policy reform is much more complicated than negotiating an exchange on the market place. Very often private and public groups and organizations rather than individuals get involved in the process. Groups and organizations are not merely the sum of individuals. They have their distinct interests which may or may not be consistent with those of individuals. Thus, taking into account merely individual preferences and behaviour, as many economists do in their studies, is not sufficient to understand the organizational behaviour of either private or public actors.

4. Understanding Agricultural Policy Making From the 1930s to 1985

Agricultural policy, unlike major industrial policies, is as old as the state itself: collection of taxes, settlement policies, and executing land division programs have structured the way of living in the countryside for centuries. However, rapid growth of state intervention in agriculture in the U.S. is a relatively recent phenomenon. Like it or not, it seems that this rapid expansion of state intervention in agricultural production and marketing has resulted in the state itself becoming the prisoner of its own policies and farmers the victims of their increased productivity. Increasing competition in world markets for agricultural products requires that the state, farmers, and the whole society look for ways to adjust themselves to new challenges.

During the fifty years covered by the study, with the exception of the Agricultural Adjustment Act of 1933, 1936 and 1938, no single program has been endorsed and supported by a majority of the members of the agricultural community. Farmers, USDA officials, farm groups and congressional agriculture committees generally have evinced extreme dissatisfaction with those programs which provided high subsidies to farmers to idle farmland. Yet, the community was highly resistant to even minor improvements. Major obstacles lie in deeply entrenched concepts, formulas, policies and practices, such as agrarian fundamentalism, farm programs containing the artificial parity idea and the un-American nonrecourse loan,[102] and the

[102] Price parity means that price per bushel (or pound or bale) that would be necessary for a bushel today to buy the same quantity of goods that a bushel would have bought in the 1910-14 base period at the prices then prevailing. That is, it would be the price per bushel of wheat that farmers would need to earn today in order to buy a suit of clothes with the same number of bushels that it took in 1910-14.

Parity ratio means that an aggregate measure of the relative purchasing power of farm products; the ratio between the index of prices received by farmers for all farm products and the index of prices paid by farmers for commodities and services used in farm production and family living. The parity ratio measures price relationships (price received and prices paid).

Nonrecourse loans are price support loans to farmers to enable them to hold their crops for later institutionalized policy making process in agriculture community. They also lie in the vested interests that have been built up over the decades. To examine these issues, this work divides the fifty years into discrete periods. It is realized that any such a division of history is arbitrary, but can be done on the assumption that some historical events, legislation, or even a change of presidency, can be seen as turning points of political and economic development.

The first period covers the 1930s and the war period. It examines how the interventionist farm programs were established and how a framework of public-private cooperation was developed. The central argument is that, subject to a general assumption that crisis induces changes, redirection of farm policy and reconstruction of modern government were rooted in the Great Depression. They were orchestrated by President Roosevelt, operated by the USDA, headed by the Secretary of Agriculture, Henry Wallace, approved by the Congress, and finally supported by farmers and farm organizations. This was not an equal trade-off game. The decisive roles played by Roosevelt and Wallace to a large extent determined the direction along which those changes took place. Political responsibility, administrative skill and scientific expertise were integrated into a newly set-up policy making arrangement, which was formed by those who had political skills to reconcile "President responsibility, Congressional feasibility and private interest group intensity,"[103] those who had scientific expertise to handle more technologically complicated agricultural problems, and those who had administrative talent to deal with the increasing bureaucratic affairs. These changes overcame the normal deadlocks and inertia of the political and government systems and therefore brought forth a burst of legislative and administrative action without equal before or since.

The study of the failure of the Brannan Plan in the late 1940s is to demonstrate the resistance of the established institution to change. The structural forces included farm programs which had benefitted some but not others, policy making practices, such as consultation of farm groups and consensus building among economists, and the general political situation which did not warrant any radical changes. It is argued that even policy makers, who had the discretionary authority and capability to mobilize support for their preferred policy programs, were subject to

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sale. The loans are nonrecourse because if a farmer cannot profitably sell the commodity and repay the loan when it matures, the pledged or mortgaged collateral (the commodity on which the loan was advanced) can be delivered to the government for settlement of the loan. Farmers may redeem their commodities by paying off the loans with interest. The loan level also becomes the support price since the government becomes an alternative to the market.

[103] Talbot and Hadwiger, **The Policy Process in American Agriculture.**

the constraints of the institutional structure. It is also argued that despite all the public attention this event drew, the real debate and decision were among all the participants of the agriculture community. Farm policies were considered as issues of the agriculture community only. It became a rule of the game to exclude outsiders from the benefits of farm programs and from farm policy making. Any effort to depart from this rule would meet resistance.

The discussion on the 1950s and 1960s is to demonstrate the enduring quality of the existing institutional arrangements which shaped economic interests, policy alternatives and political conflicts. Economic interests remained one main reason for the persistence of farm programs; those who had benefited from them wanted to maintain the status quo and expand the benefits whenever it was possible, while the expanding national economy allowed the sector to be supported without too much public complaint. Other reasons include prevailing beliefs of the mixed economy in agriculture and farming as a way of life to be protected, operating rules and patterns of practices and a closed policy community dominating farm policy making. Agrarian fundamentalism has always been a powerful instrument for policy makers to justify their goals. As an ideology, this belief determines the perceptions policy makers hold about legitimate claims to economic benefits. When policy debate involves less controversial issues, beliefs about legitimate claims to economic benefits become more important in shaping policy conflicts. In the 1950s and 1960s, as government expenditures on agriculture kept growing and the farm population continued declining, it became essential for policy makers and the beneficiaries of farm policies to provide justifications for them. At this juncture the ideological perspective became one of the major driving forces for politics.

The period from the beginning of the 1970s to 1985 may legitimately be described as one of the rapid internationalization of American agriculture and one of dramatic changes from the 1970s' boom to the 1980s' bust in the farm sector. As agricultural policies involved more issues, the agriculture community, especially its decision making unit, was facing multidimensional challenges. The major concern of this section is to investigate how the agriculture community was able to maintain its position in policy making and how the USDA took the challenges from outsiders and made superficial changes to protect the existing farm programs and the policy making process by preventing new groups from coming into the circle. The central argument is that, as agriculture became more internationalized and more involved in the rest of the economy, farmers depended more on the national government to promote their competitiveness and protect them in the competitive international market. Foreign competition became a legitimate reason for further government interventionist policies to support this economic sector.

Agricultural policies consist of a whole range of issues and programs that affect production, distribution and marketing. This means that agricultural policies affect not only farmers, which include both large commercial farmers and share-croppers, but also consumers, agribusinesses, and foreign competitors. Policy programs concern a variety of commodities, such as wheat, sugar, dairy products, tobacco, etc. Some commodities are the consumers of other commodities. Thus, policies are not the same and, in fact, they vary greatly. Having realized the complexity of agricultural policies, this study focuses only on those policy programs which have affected four basic commodities -- wheat, rice, cotton and corn -- and large commercial farmers who have benefited the most from the government programs.

Change taking place in the structure of agriculture has always been a hot topic among economists, political scientists and sociologists. Plenty of attention has been focused on the economic disparity among farmers. To study this is to open up a new topic and needs additional work. Thus, it is not part of this study. However, one point relevant to this study is that the belief in economic efficiency among USDA high officials has dominated their policy making since the New Deal era. When the modern agricultural policy programs were created, Secretary Wallace made clear that they would serve the interests and welfare of large commercial farming. "Only through the development of an effective commercial agriculture on farms large enough to produce a reasonable cash income can our farmers obtain their share in the good things that city industry produces."[104] Since then, the belief that agricultural support programs must be designed to serve and promote the interests of "those farmers who market most of the agricultural products"[105] has been a driving force to pursue a more efficient farming industry. Effective, large commercial farming was not seen to destroy family farms but to enhance their political and economic position in a more competitive world. Moreover, the USDA has made conscious efforts in technical research and accelerated the pace of the "Great American Agriculture

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[104] Henry A. Wallace, **Technology, Corporations, and the General Welfare**, Chapel Hill: The University of North Carolina Press, 1937, p.25.

[105] John A. Schnittker, "Farm Policy -- Today's Direction," Journal of Farm Economics, v.48, 1966, p.1093.

Revolution."[106] This revolution has a wide range of social, cultural and demographic dimensions. This work has accepted the fact of a continuing decline in farm population and the concentration of farm production and land-holding. It has emphasized that Washington is the main contributor to this restructuring of the agricultural system without further explaining the structural change in rural society.

Also, in a federal system, the cooperative and competitive relationship between the federal and state governments should not be ignored. However, agricultural policies have been made mainly by the Congress and implemented by both federal and state governments. Since this study is about agricultural policy making and policy development, its focus is on the structural relationship between the USDA, congressional agriculture committees and farm organizations rather than the relationship between different levels of government. Furthermore, since it is argued that the USDA has taken the lead in agricultural policy making and in defending the programs and farm interests, attention will be directed to the competitive and cooperative relationship between the USDA and farm groups and the USDA and agriculture committees in an institutional context. By examining these structural relationships, it is hoped to demonstrate the validity of the historical institutional approach in understanding agricultural policy making and policy development in the United States.

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[106] The adoption of new machinery and advanced technology made it possible, desirable and, more important, necessary to expand land holding and concentration of production. This is what scholars call the Great American Agricultural Revolution. This is the baby of the technical research funded and conducted by the USDA, the large payments ad loans made by the USDA with which farmers have been able to buy their neighbours' land and new technology. While there has been talk of protecting family farms as a way of life, there have also been conscious efforts through enacting legislation to promote farming as a business. One recent study has made this point quite clear. (Richard S. Kirkendall, "A History of American Agriculture From Jefferson to Revolution and Strategies," in **Social Science Agricultural Agendas and Strategies**, pp.I-14-25). According to some critics, the efforts of the USDA to promote efficient farming industry have destroyed many family farms and driven millions of farmers to cities and they have been the cause of rural poverty in many part of the country. "The United States Department of Agriculture never made any hard fight to assist small farmers in the South," one critic comments. "The main objectives of the USDA, the agricultural colleges, the experiment stations, and the state departments of agriculture had been to increase productivity and efficiency. To achieve these worthy goals, officials worked most closely with the largest, most intelligent, and most productive farmers,, who could best take advantage of the information and services offered." (Gilbert C. Fite, **Cotton Fields No More: Southern Agriculture, 1865-1980**, Kentucky: The University Press of Kentucky, 1984, p.224).

PART II
AGRICULTURAL REFORM

State intervention in agriculture in the United States has had a long history, but contemporary interventionist agricultural programs started in the 1930s: production and distribution controls through price supports and marketing quotas, export subsidies and import restrictions. Under the shelter of these programs, various new ones have been put into practise with major pieces of legislation authorizing them. It is virtually impossible to appreciate these programs and their development without examining their origins. This part examines the emergence and development of the modern farm programs in the 1930s. It is argued that the economic crisis demanded and warranted major changes in policy direction as well as in the policy making process. And the actions taken to deal with crises often "lead to the establishment of new institutional forms, powers, and precedents."[1] Yet, radical changes became possible only with changes in the prevailing beliefs about the economic system and the government's role in the economy and changes in national policy makers and power configurations among the people concerned.

The purpose of this part is not to evaluate a particular belief or doctrine or even the policies that were inspired by it, but to gain an understanding of why and how policies were created as they were in the 1930s. To do so, much can be gained from Kuhn's work, which demonstrates how paradigms are challenged and replaced by new ones. An analogy of Kuhn's discussion on scientific revolutions can well be used in our analysis of social reform and radical policy changes in the early phase of the New Deal primarily because, it is believed that, ideas, policies, institutions and strategies are closely related in pursuing economic and social reforms and even in managing the national economy. From this perspective, much can be learned from studies which show domestic economic development depending on "strategic political choices, available economic ideas and organizational patterns of domestic interest groups as well as the existing social and economic structure."[2]

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[1] Skowronek, **Building a New American State**, p.10.

[2] James E. Alt, "Crude Politics: Oil and the Political Economy of Unemployment in Britain and Norway, 1970-85," British Journal of Political Science, v.17, 1987, p.149

Some recent studies also demonstrate the importance of the dominant values guiding public policy, the knowledge base available to policy makers, and the norms that legitimize and determine how decisions

This part is divided into three chapters. The first one deals with the changes in social beliefs in the late 1920s and early 1930s. Ideas can be, and often are, powerful motivating forces for change, and once endorsed by policy makers and the public these ideas decide the direction of policy change. The second chapter is about the enactment and implementation of modern agricultural policy programs in the 1930s. It is argued that the redirection of national agricultural policies and the changes in policy making processes at the time were the result of the collective efforts of policy makers. Presidential leadership, bureaucratic unity and skill, and the support from the lawmakers and farm organizations all made this possible. However, it is important to point out the power disparity of each of them in deciding the direction of policy change. In critical situations, the state tends to use its coercive and administrative tools to enforce compliance and pursue changes. The argument presented in this section is in agreement with other studies which have shown that during the recession and depression farmers and farm groups united behind the USDA to ensure economic stability, and not the other way around. The last chapter shows how the modern policy programs and agricultural community were reaffirmed and reinforced in the late 1930s and the war period. It is held that once new policy programs proved to be working and effective, they became policy legacies which would be likely to remain influential for a relatively long time. Policies are often institutionalized for their survival, success and expansion. Moreover, once they and their implementation are institutionalized, they generate their own forces resisting change. This chapter demonstrates how modern farm programs were maintained and expanded and how the USDA responded to challenges, fought on behalf of farmers, centralized its authority and developed more intensive and integrated forms of control by deriving more power from its ability to coerce and administer.

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are made and who participates in policy making. Policy innovation often can be traced back to available ideas, especially those beheld by politicians and forming an important part of the "communities of understanding." Ideas, it is argued that, proceed incentives for change and proceed strategies to pursue changes. They decide, if not determine, the direction of policy innovation and policy development. Since incentives and strategies for policy innovation are more changeable than ideas, such as those about how an economy should function, the importance of ideas, their origins, proliferation and adoption, cannot be ignored in our analysis of economic policy development. (George Hoberg, "Reaganism, Pluralism, and the Politics of Pesticide Regulation," Policy Sciences, v.23, 1990, pp.257-289).

CHAPTER TWO
CHANGES IN PREVAILING BELIEFS

An economic crisis occurs because existing economic institutions lag so far behind developments that they do not provide the security and incentives needed for increased investments and for the introduction of new techniques and, thus, the basic rules governing economic activities are questioned and challenged.[1] An economic crisis often leads to a political one because all economic institutions are supported with certain types of organizational arrangements which often intensify and exacerbate the political and economic problems. They may, for example, worsen the inequalities inherent in the current system, making a relatively small group wealthy and leaving the mass of people behind in abject poverty. "A national economic and political crisis will so discredit dominant economic actors and their preferred organizational and exchange strategies that new state-society coalitions can emerge around more proactive state strategies."[2] The economic crisis thus, as the Chinese say, presents danger as well as opportunity to the state to redefine its legitimate interests and activities and reestablish the credibility of its leadership. Such a fundamental change of the existing institutional structure, however, is not accomplished overnight. It starts with institutional modification and innovation.

This chapter examines how a particular set of policy alternatives was initiated and selected to deal with the economic difficulties in the early 1930s. Two questions are discussed here. One is that the economic crisis was the primary source and motivating force for change. Economic crisis challenges the prevailing beliefs on the legitimate rules governing economic production and allocation. At the beginning stage when these rules are questioned and alienated, there are only efforts to accommodate and modify the traditional beliefs instead of pursuing radical changes. This is because, although pressures for changing the rules of the game grow out of a general dissatisfaction with some economic activities, an institutional change involves fundamental policy changes (i.e. those directed at redistribution from one group in society to another) and changes in the guiding principles within which policies are formulated (i.e. from individual production and marketing to a more collective action under the guidance of the federal government). People

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[1] Davis and North, **Institutional Change and American Economic Growth.**

[2] Leon N. Lindberg and John L. Campbell, "The State and the Organization of Economic Activity," in **Governance of the American Economy**, eds. Campbell, et al., pp.391-92.

tend to mend the system until there is a general shift in social thought which challenges the legitimacy of certain economic activities.

The other is how the new ideas were eventually selected and adopted by policy makers and people who were concerned. It is argued that the social process of initiating and circulating new ideas for policy changes is analogous to Thomas Kuhn's scientific revolution.[3] That is, "to discover how scientific revolutions are effected, we shall ... have to examine not only the impact of nature and of logic, but also the techniques of persuasive argumentation effective within the quite special groups that constitute the community of scientists."[4] Thus, it is essential to explain why the alienation of the prevailing beliefs took place, how novel ideals were generated among agricultural economists, incorporated into policy proposals by politicians, and finally became the guiding principles which marshalled the will and ideas necessary for constructive solutions and with which to head off the economic and political chaos created by the Great Depression.

1. Modification of Traditional Policies

Social thought includes various social, political and economic ideas. "The ideas that are embodied in social thought are of two historical types: those that rationalize and contribute to the codification of the prevailing order, and those that arise in protest to the established order which become embodied in social thought and then become strong enough to include a real alteration

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[3] Kuhn has developed a theory of the development of scientific knowledge and applied it in the natural sciences. Having studied the structure of revolution in natural sciences, Kuhn has demonstrated that "normal science" is the paradigm-based research of scientists, whose goal is "puzzle-solving." In the process of solving puzzles, scientists find that most puzzles can be successfully assimilated in the process and those which cannot become "anomalies," which occasion a crisis. In the crisis, new perceptions on the anomalies are brought forth into the stage in the community and they will replace the old paradigms when they are accepted by the majority members of the community.

As Kuhn himself points out that "scientific development may resemble that in other fields more closely than has often been supposed," scholars have been applying Kuhnian theory to social science studies. The studies I have found more useful to this study are those done by economists and political scientists who have applied the Kuhnian framework and ideas to the study of development of economic theories, particularly to the explanation of the Keynesian revolution of the 1930s. The logic of Kuhn's scientific revolution is used in this section to show that some of the processes of social and economic development resemble the one described by Kuhn. However, it is fully aware of the differences between them. Thus, it is emphasized that only the Kuhn's logic will be used.

Thomas S. Kuhn, **The Structure of Scientific Revolution**, 2nd edition, enlarged, Chicago: The University of Chicago Press, 1970; A.W. Coats, "Is There a 'Structure of Scientific Revolution' in Economics," Kyklos, v.22, 1969, pp.289-296; Peter A. Hall, ed., **The Political Power of Economic Ideas: Keynesianism Across Nations**, New Jersey: Princeton University Press, 1989.

[4] Kuhn, **The Structure of Scientific Revolution**, p.94.

in political-economic institutions."[5] Economic recession and depression often provide the impetus for the emergence of the second type of ideas. The following section presents a discussion on a transition period when traditional beliefs were challenged, rejected and displaced by a new set of beliefs and demands for economic institutional change increased.

Up to the 1920s, *laissez faire* had been the dominant principle in the agricultural industry. It had served the nation well in a time of great geographic expansion, rapid population growth, and rising per-capita demand. The whole complex of national agricultural policies had been designed to develop agricultural infrastructure, to spur agricultural research,[6] to cultivate more land, to increase crop yields, to make livestock and its products healthier and more healthful, to market products more economically so that farmers could become more economically competitive and to live better and more cultured lives. Farm production and marketing were basically left to the "freely" competitive market.[7]

During World War I, responding to the wartime demand and the call for patriotism, farmers greatly expanded their production by cultivating more land and adopting more new technology. As soon as the war was over in Europe, farm prices and income plummeted.[8] In the following decade, farmers, aided by USDA field officials, responded in the first instance with the modification of their individual behaviour by forming large-scale cooperatives in handling and

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[5] Theodore W. Schultz, "On Economics, Agriculture, and the Political Economy," in **Papers and Reports at the 16th International Conference of Agricultural Economists**, eds., Theodore Dams and Kenneth Hant, Lincoln: University of Nebraska Press, 1976, p.18.

[6] The most important legislation to facilitate these aims included The Morrill Act of 1862 which established the United States Department of Agriculture (USDA) and the present system of land-grant colleges; the Hatch Act of 1887 which established the modern system of agricultural experiment stations, and the Smith-Lever Act of 1914 which established the agricultural extension service.

[7] Edwin Nourse once summarized the development: "First, we gave to agricultural business complete freedom of economic enterprise, trusting to the flexible processes of a laissez faire economy to effect adjustment surely even if brutally. Second, we established and continually sought to perfect an elaborate system not merely of technical, but also of business, education for farmers, which should enable them to make wise decisions on the basis of broad knowledge of the economic conditions surrounding their industry, thus refining the process of individualistic adjustment." (Edwin G. Nourse, "Fundamental Significance of the Agricultural Adjustment Concept," Journal of Farm Economics, v.18, 1936, p.245).

[8] "Agricultural prices were the first to break in 1920. The July 1920 index of prices paid to producers was 10 points under June index; the August index, 15 points below the July; the September index, 15 points below the August." (Chester C. Davis, "The Development of Agricultural Policy Since the End of the World War," in USDA, **Agricultural Yearbook, 1940**, p.298).

selling farm products. This is known as the Sapiro Movement.[9] The failure of cooperative marketing, the avalanche of descending prices and, more important, an alarming disparity of farm income and costs produced vehement protests from farmers everywhere. In Congress, the "farm bloc" was organized. The general talk in Washington, nevertheless, was "to give the farmer the chance to organize and help himself."[10] A group of agriculturalists and economists in the newly established Bureau of Agricultural Economics (BAE) of the USDA proposed the first important legislation in the 1920s to alleviate the depressed farm situation which had attracted wide public attention. This was the McNary-Haugen plan, presented to Congress in 1922 by Henry C. Taylor who became the first director of the BAE that year, George N. Peek and Hugh S. Johnson of the Moline Plow Company.[11]

The central idea of the McNary-Haugen plan was "equity for agriculture." It called for a minimum of intervention of the federal government to assist farmers to dispose of the surpluses abroad[12] and to raise prices to the desired level in the domestic market. The plan neither challenged the basic assumption about farm problems nor demanded a new role of the government in dealing with the problems. It denied that there was a problem of overproduction and thus, presented a prescription of modifying the existing policy measures by expanding export markets, setting up higher tariffs, providing better farm credits and more loans to finance exports. It insisted that "government was expected to facilitate action, but not to perform business function itself,"[13] and farmers themselves would finance the programs. The McNary-Haugen plan was

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[9] Murray R. Benedict, **Farm Policies of the United States: 1790-1950**, New York: The Twenty Century Fund, 1953, pp.194-198.

[10] Davis, "The Development of Agricultural Policy Since the End of the World War," p.301.

[11] Peek, Johnson and their associates had argued that the protective tariffs on manufactured goods were largely responsible for the stability of industrial prices at relatively high levels as compared with sagging farm prices, thus, there should be legislative means of making tariffs effective for agriculture. To do so, they initiated a two-price plan, which would allow farmers to dump their surplus production on the foreign markets at a low price and enjoy the full benefit of the tariff at the same time. This was the essence of the McNary-Haugen plan. Both of them late became respective leaders of the Agricultural Adjustment Administration (AAA) and National Recovery Administration (NRA) in the New Deal period.

[12] Henry A. Wallace once made a comment, "the feeling was in those days that there was an inexhaustible and complacent foreign market on which goods could be dumped at a low price without fear of retaliation." (Henry A. Wallace, **America Must Choose, The Advantages and Disadvantages of Nationalism, of World Trade and of a Planned Middle Way**, Boston: Foreign Policy Association and World Peace Foundation, 1934, p.148).

[13] Nourse, "Fundamental Significance of the Agricultural Adjustment Concept," p.246; Benedict, **Farm Policies of the United States: 1790-1950**, p.194.

struggling before Congress, from 1924 to 1928, gaining increasing support among farmers and their organizations over the years but vetoed twice by President Coolidge with the advice of his Secretary of Commerce, Herbert Hoover. It became obvious that Washington was opposed to everything but the traditional philosophy of letting farmers stand on their own feet.

The end of the McNary-Haugen plan was not the end of the agricultural depression. In fact, farmers had suffered greatly from their expanded acreage, increased output, decreasing demand and burdensome surpluses when the world-wide depression was coming in. The persistent economic problems demanded further efforts to seek possible legislative measures to offset acute depression. In 1929, President Hoover signed the Agricultural Marketing Act (AMA) to keep his campaign promise -- "to establish for our farmers an income equal to those of other occupations."[14] The Act created the Federal Farm Board (FFB) and assigned it the job of preventing and controlling agricultural surpluses through "orderly production and distribution" so as to prevent excessive fluctuation in prices.[15] Within a few months, the New York Stock Exchange crashed. With credit beginning to evaporate, the FFB proved absolutely futile under the circumstances and soon became bankrupt.

The Marketing Act marked the first attempt of the federal government to increase directly the level of farm prices. It inaugurated the policy of large-scale orderly marketing or supply equalization through governmental action to withhold commodities from the market until prices improved. As an improvement to the McNary-Haugen plan, the AMA of 1929 realized, at least in words, the necessary connection between "orderly distribution" and "orderly production." However, the Act was doomed to fail from the very outset because of its lack of political commitment to government management of agricultural production and distribution and the lack of concrete measures designed to adjust the scale or character of productive operations. With the New York Stock Exchange crash, the FFB went bankrupt as its credits soon evaporated.

Economic reasons may explain the failure of the agricultural legislation in the 1920s.

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[14] Herbert Hoover, "Nomination Acceptance Address in 1928," The New York Time, August 12, 1928, p.2.

[15] "The Act was based on the theory that with Federal aid cooperative marketing organizations could provide a solution to the problem of low farm prices. To supplement this method, the board, with a revolving fund of $500 million, had authority to make loans to cooperative associations, to make advances to members, and to make loans to stabilization corporations for the purpose of controlling any surplus through purchase operations. (USDA, **History of Agricultural Price-Support and Adjustment Programs, 1933-84: Background for 1985 Farm Legislation,"** 1984, p.2; Wayne D. Rasmussen, ed., **Agriculture in the United States: A Documentary History**, New York: Random House, 1975, pp.2204-2213).

Political reasons were more potent. This is because an economic institution is defined by formal law. Only the "state actors, not those in civil society, make the final decisions about which property rights and production and allocation policies to choose ... [and] state influences economic governance."[16] When the national government was reluctant to make commitments to the abandonment of the *laissez-faire* or "*assisted laissez faire*" economy, as J.D. Black termed it,[17] and to take the responsibility for national regulation and planning of agricultural production and distribution, no such legislation would be produced and, therefore, no transformation of economic governance could take place. President Hoover made the point quite clear that he "opposed direct action by the general Government to succour the victims of the economic cyclone" and supported the "ideal of the *laissez faire* state." He believed that "direct federal aid would destroy America's character and liberty."[18]

Moreover, the law governing economic activities is also an expression of a society's dominant political ideology. Without a shift of public beliefs about an economic order, fundamental transformation of an economic institution seems remote. All through the 1920s, continuous pressures from farmers for government assistance made the whole nation conscious about farm problems. The public, however, remained sceptical about an active role for government in pursuing equity for agriculture. It was widely argued that "the farmer's basic trouble is his failure to fix the price which he should receive for what he sells, and fails to fix the price of that which he buys," rather than the malfunction of the system.[19] Farmers should not look to government for solutions. Thus, both the McNary-Haugen plan and the AMA of 1929 proposed only a "minimum of interference" with the existing agencies in the economic activity.

The policy proposals in the 1920s, such as cooperative marketing, the McNary-Haugen plan and the AMA of 1929, aimed at helping farmers with expansion of productivity to enhance their economic competitiveness and were designed as extensions and modifications of the existing

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[16] Lindberg and Campbell, "The State and the Organization of Economic Activity," p.363.

[17] For a complete coverage of the doctrine, see John D. Black, **Agricultural Reform in the United States**, 1st ed., New York: McGraw-Hill Book Company, Inc., 1929, pp.321-336.

[18] Arthur M. Schlesinger, **The New Deal in Action: 1933-1939**, New York: The Macmillan Company, 1940, p.4; Daniel R. Fusfeld, **The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal**, New York: Columbia University Press, 1956, p.250; Bernard Sternsher, **Rexford Tugwell and the New Deal**, New Jersey: Rutger University Press, 1964, p.34.

[19] Thomas A. Jenkins, "U.S. Congress and the American Farm Problem: 1920-1932," Congressional Digest, no.12, February, 1933, p.35.

rules of the game instead of a radical departure from traditional beliefs and practices. Even those who proposed new ideas preferred to believe that they were dealing with normal and temporary problems rather than political and economic "anomalies." In other words, confronting the changing economic situation, people in the community realized the necessity to modify the policy programs with some new measures; yet, their perceptions of the problems were strongly conditioned by their social, political and economic beliefs.

After the initial stage when people desiring change extend and modify the existing economic institutional structure to deal with the emerging problems and when success is not achieved and problems do not yield, they begin to question their perception of the problems. Those problems which persistently resist all attempts at assimilation will at last prompt the widespread suspicion that something is at fault at the heart of the philosophy of the structure. Then a serious re-evaluation of the rules governing economic institutions follows. In this stage new ideas and speculations are debated and accumulated among the practitioners. The proliferation of this articulating activity leads to an introduction of new concepts. Anticipators of the new concepts of the agricultural problems in the 1920s and early 1930s included W.J. Spillman, J.D. Black and M.L. Wilson from the USDA.[20]

For two years after 1929, hopes for higher prices rested on the cooperatives and on the Farm Board's activities in the market, both of which failed to save farmers from the world-wide depression -- prices fell and foreclosures rose drastically. In its Third Annual Report, the FFB analyzed its inability to stabilize farm prices:

> Experience with stabilization thus demonstrates that no measure for improving the price of farm products other than increasing the demand of consumers can be effective over a period of years unless it provides a more definite control of production than has been achieved so far. In a few limited and specialized lines, cooperative associations have made progress toward such control. For the great

[20] W.J. Spillman was the Chief of the Office of Farm Management in the USDA from 1925-1928 and later economist of the BAE after it was established. John D. Black, professor of economics at Harvard University also worked as an economist for the BAE. Between 1924 and 1926, M.L. Wilson divided his time between Montana State College and the USDA, serving at the Office of the Farm Management and later BAE under Taylor. Together with other economists at land-grant colleges and the BAE, H.C. Taylor, Howard A. Tolley and Mordecai Ezekiel, these agricultural experts worked out the early version of the DAP. (Russell Lord, "M.L. Wilson: Pioneer," Survey Graphic, October 1941, pp.507-512).

staple products, however, the problem still remains for future solution.[21]

The experience of the FFB taught scholars and practitioners that agricultural adjustments of supply and demand must inevitably take place. The idea gained wide attention especially after the failure of all the modified measures -- the export debenture, cooperatives and stabilization corporations, etc. Inspired by the concept of the Domestic Allotment Plan (DAP)[22] and some other vague ideas on production control,[23] M.L. Wilson[24] developed the Voluntary Domestic Allotment Plan through the experiment of the Fairway Farms.[25]

The Voluntary Domestic Allotment Plan (VDAP) suggested that production be controlled and regulated to meet the domestic market needs of the country, and a reward would be paid to

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[21] Rasmussen, **Agriculture in the United States: A Documentary History**, p.2226.

[22] In the late 1920s, the Domestic Allotment Plan (DAP) had been worked out by a small group of agricultural economists, respectively W.J. Spillman in his book, **Balancing the Farm Output** (1927) and Black in his book, **Agricultural Reform in the United States**. The early version of the DAP was clearly stated in the opening paragraph of Black's book: "The essential principle of the domestic allotment plan is paying producers a free-trade price plus the tariff duty for the part of their crop which is consumed in the United States and this price without the tariff duty for the part of it that is exported, this to be arranged by a system of allotments to individual producers of rights to sell the domestic part of the crop in the domestic market (p.271). Even though this original form of the DAP did not contain the ideas of production control perse, it did explicitly show its attempt to correct the agricultural deficiency by discouraging farmers from producing in excess of their "domestic allotment." With the incentive of the "protected" domestic market, these scholars hoped farmers would reduce their production automatically.

[23] In 1921, Wallace's Farmer, a popular journal for both farmers and agricultural economists, outlined its vague ideas on production control through acreage regulation -- "Careful estimates of future demand, together with regulation of acreage to fit that demand, make up two parts of the big job that farm organizations must some day have nerve to tackle." (William D. Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**, Lincoln: University of Nebraska, 1970, p.32) In 1923, Henry N. Owen, editor of Farm, Stock and Home, in an article, presented some similar ideas of production control -- "to have the Government say to the farmers that if they will come into an organization to be formed and supervised by the Government, and agree to reduce their acreage on the various grain crops whatever per cent ordered, the Government will buy at a guaranteed price the crops of those who join the organization and live up to its terms. Those who preferred to keep out and go their way, putting in as much of the various grains as they pleased, could not sell their crops to the Government, but would have to take their chances on the world market just as the Government would have to do on whatever surplus grains there might be." (Rasmussen, **Agriculture in the United States**, pp.2178-2179).

[24] Majored in both farm management and philosophy at the universities, Wilson was greatly influenced by Richard E. Ely, John R. Commons, H.C. Taylor, and Heorge Warren in the liberal thinking and James Hayden Tufts in the philosophical idea of justice. Sharing his working experience as a professor and an economist in the USDA, Wilson got to know Spillman, who was his chief, and some of his associates, Howard A. Tolley, Mordecai Ezekiel, for example. They were at the time trying to develop a variety of devices to balance American farm production to paying demand.

[25] For detailed description of the Fairway Farms, see Lord, "M.L. Wilson: Pioneer;" Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**, pp.47-85.

farmers who curtailed their production voluntarily. Wilson called for cooperative action by farmers, with the government providing the means of making the cooperation effective. The basic principles of the VDAP reversed the historical trend toward agricultural expansion by encouraging production, shattered the view that agriculture was a highly individualistic enterprise and called for collective action through planning and regulation that a healthy agriculture, like any other industry, would need.

The development from the DAP to the VDAP took place in the late 1920s and early 1930s, the time when the principles of "equalization fee," "cooperative marketing," and "export dumping plan" were holding the upper hand and attracting all the attention of politicians, economists, agriculturists, farmers and farm organizations. The VDAP, as it is shown, was neither simply grafted on the stockpile of the existing proposals nor completely excluded all of them. This fact suggests that any period of socio-economic development, as in a scientific revolution, is marked by a large number of overlapping and interpenetrating new ideas and concepts. These novelties do not replace the old concepts immediately and, in any case, new ideas and concepts do not spring up full-blown but instead emerge as victorious in a long process of intellectual competition and adoption by the people concerned. "Cumulative acquisition of unanticipated novelties proves to be an almost non-existent exception."[26]

2. "A Proliferation of Articulation"

According to Kuhn's concept of scientific revolution, new ideas and concepts have to win the allegiance of the large majority in the community before a new era of normal science is initiated. In political life, this process goes beyond the people of the community, whether those are academic or those directly concerned. New ideas and concepts need support from people who have legislative power to turn them into effective policies. Policy makers are able to crystallize pressures for change by defining and redefining legitimate interests and organizational relationships among those who protect and those who protest the existing rules. Having realized this relationship between ideas and power, Wilson, in the fall of 1930, started his propaganda crusade for the idea of the domestic allotment plan. He first reached out to academic people who shared similar backgrounds, education and working experience. Then he and his academic associates pursued the course to the politicians who had the potential to accept the ideas and to

[26] **Kuhn, The Structure of Scientific Revolution, p.29.**

gain power in government. Meanwhile they realized that support from farmers, agribusinesses and the public in general would be necessary. They wanted to "familiarize all classes of society with the idea so that the plan could be put over in the next Administration."[27] Until they were accepted by these people, especially by the major politicians who had interests as well as authority in policy making, the ideas of the VDAP never achieved currency in policy debate. There started a process of proliferation of new ideas.

2.1 Economists

The first support Wilson enlisted was from those economists who like him were of rural backgrounds, trained at land-grant colleges and universities, and had close ties with farmers and farm organizations. They too "believed in expertness and high-grade civil service decision."[28] Agitated by the continuing economic depression and the failure of various policies, they were determined to press the new concepts through into policies. To do so, first they had to convince the public that a changed economic situation required a different role and responsibility of government. They argued that "as our civilization and economy become more complex, and as we move out of the exploitation era, the economist's concept of the general welfare necessarily changes, and so does the role of government in serving the general welfare."[29] Furthermore, holding "agricultural economics as something which was not merely theoretical and academic, but something living, moving, active and directional in the world of affairs,"[30] they were eager to participate, if possible, in policy initiation and policy formulation. When the ideas of voluntary production control with government support to stabilize, if not raise, farm prices and incomes spread among the economists, many of them immediately endorsed the plan, including Henry A. Wallace.[31] Later Wilson commented, "this plan received wider acceptability among agricultural

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[27] Wallace, **America Must Choose**, p.157.

[28] Russell Lord, **The Wallaces in Iowa**, New York: Da Capo Press, 1972, p.311.

[29] Howard R. Tolley, "Contribution of Agricultural Economics of the General Welfare," Journal of Farm Economics, v.21, 1939, p.9.

[30] Henry A. Wallace, "Farm Economists and Agricultural Planning," Journal of Farm Economics, v.18, 1936, p.1.

[31] They included Edwin G. Nourse, director of Institute of Economics of the Brookings Institute, J.D. Black, Mordecai Ezekiel, a USDA economist assigned to the FFB, and Howard R. Tolley, professor at University of California, Berkeley, the Giannini Foundation. All of them were with the USDA one time or another.

economists than any plan previously advanced."[32]

Henry A. Wallace, son of the former Secretary of Agriculture, Henry C. Wallace, and editor of Wallace's Farmer, made a great contribution in campaigning for the VDAP through his multiple access to farmers, farm organizations, economists and legislators. Wilson and Wallace represented a new generation of agricultural economists who combined their knowledge, ability and critical view of traditional economic philosophy and pursued radical changes in agricultural policies. To them, the nature of agriculture made government planning and regulation imperative.[33] The government was and should be the one to take this social responsibility to carry out such planning in order to alleviate poverty and distress of its citizens in general and to help farmers, in particular, to adjust themselves to a changed and changing production and marketing situation. It was argued:

> Agricultural production control became necessary first because we suddenly became a creditor nation as a result of the World War, and, second, because the nations of Europe, beginning especially in 1926, determined to shut out our exports either by tariffs, by import quotas, by depreciated currencies, by exchange quotas, or by any other devices that might be necessary.[34]

As external demand decreased, farmers continued to be "rugged individuals" competing freely with each other with possible increase in production under the conception that "individuals,

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[32] M.L. Wilson, "Agricultural Adjustment: A Step in the Evolution of Agricultural Policy," Harvard Business Review, v.13, 1935, p.410.

[33] This point was clearly illustrated by Wallace: "because of the fact that agricultural output cannot be expanded and contracted as rapidly as industrial output and because there is no centralized control to bring about such expansion and contraction and also because of the fact that stability of population growth and stomach size determine certain things with regard to the nonelasticity of demand for basic agricultural products" -- in short, because of the "unfair" competition between industry and agriculture, the fundamental principle of the laissez faire economy became irrelevant in guiding agricultural industry. It had to be supplanted by intelligent planning. (Henry A. Wallace, "Discussion," Journal of Farm Economics, v.15, 1933, p.376).

[34] Henry A. Wallace, "Agricultural Planning and the New Deal," Proceedings of the Association of Land-Grant Colleges and Universities, 1933, p.42.

European import demand of American agricultural products had partially contributed to the U.S.'s creditor position. After the war, the debtor position of many European countries made it desirable to reduce import. While people there demanded for less dependence on the import food stuff and cried for self-sufficiency, the U.S. lost a substantial portion of its old market and its agriculture faced a set of relatively rigid conditions of unfavourable character in exploring the possibilities of restoring this outlet.

in the absence of constraints, maximize at any and all margins."[35] An individual farmer might have reduced his production, but this would have reduced his income without affecting the general situation because, with prices dropping, the incentive was to increase production so as to stretch income as far as possible in order to meet expenses. While "in industry, price sets the supply, in agriculture supply sets the price."[36] Thus, "in both the markets in which he sells and those in which he buys, the individual farmer's market power in the typical case is intrinsically nil."[37] Without any real control over the market where they would sell or buy, farmers must work cooperatively among themselves and with government, which must lend its support and protection.

Furthermore, farmers were generally their own employers and they could not simply throw the major impact of reduced demand onto labour by discharging it as other industries did.[38] This "produced a serious imbalance between the price of agricultural products and the price of industrial goods."[39] Thus, the causes of farmers' poverty, their depressed condition and loss of purchasing power, were "beyond the control of any one individual or any czar, either a czar of politics or a czar of industry."[40] The prevailing agricultural problems were national rather than individual. "National problems can only be attacked and solved nationally."[41] Finally, farm depression was the result not only of market forces but also of political factors. "To argue ... that the economic element is outside the concern of democratic government comes very

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[35] Douglass C. North, "Three Approaches to the Study of Institutions," in **Neoclassical Political Economy: The Analysis of Rent-Seeking and DUP Activities**, ed. Colander, Cambridge, Mass.: Ballinger Publishing Company, 1984, p.33.

[36] Arthur M. Schlesinger, **The Age of Roosevelt: The Coming of the New Deal**, Cambridge, Mass.: Houghton Mifflin Company Boston, 1958, p.35.

[37] John K. Galbraith, **American Capitalism: The Concept of Countervailing Power**, 7th ed., Boston: Houghton Mifflin Company, 1952, p.154.

[38] It refers to the move-back-to-farm movement during the Depression. The USDA's statistics indicates that in 1930, a net movement to farm during the year ran up to 266,000, a reversal of the earlier trend. (See Paul K. Conkin, **Tomorrow a New World: The New Deal Community Program**, New York: Cornell University Press, 1959, pp.27-28).

[39] M.L. Wilson, "Will the Administration's Soil Conservation Act Prove to be Legal," Congressional Digest, v.15, March, 1936, p.84.

[40] Samuel I. Rosenman, ed., **Public Papers and Addresses of Franklin D. Roosevelt**, New York: Random House, 1938, v.1, p.776.

[41] Henry A. Wallace, "In Search of New Frontier," Vital Speeches of the Day, v.1, no.22, July 29, 1935, p.709.

close to arguing that democracy is synonymous with irresponsibility."[42] To make this point clear, Wallace said:

> Suppose I threw you out of the sixteenth-story window and at the inquest said it was not I who killed you, it was the law of gravitation. Thus it is with certain individuals and corporations operating in the background of the money market and the speculative market who plead that it is not they who are murdering the innocents, it is the law of supply and demand.[43]

Believing that "economic laws must be taken into account, but as servants, not masters" and that if left alone, individualism would produce economic anarchy and widespread misery, these economists urged government control and regulation and restrained individualism and showed their preferences for farmers' cooperation.[44]

The changed perception of agricultural problems and the nature of the farming itself among these economists was essential for the coming transformation of farm policies primarily because of the predominant role played by the USDA in historical agricultural development. Since 1922, with the establishment of the Bureau of Agricultural Economics (BAE), the USDA had taken a new step in promoting and protecting farmers, their industry and their welfare by conducting scientific and technological research, analysing its collected information and participating directly in policy making. The endorsement of the ideas and consensus of new prescription among economists inside and outside of the USDA in the early 1930s made it possible for the ideas to be assimilated among people who were to be affected by the new policies. These economists were not only the pioneers of the new ideas but also the educators to the public with them as well as the promoters to increase the visibility of these ideas. These activities were necessary for public policy making. The important point is not what they believed as individuals but rather their consensus on the need for change, their commitment to government-led reform, centralized planning and regulation, all of which later became part of the ideology of the bureaucracy. Salient beliefs of a bureaucracy last a lot longer than the individuals who hold the beliefs.

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[42] Howard R. Tolley, "Agricultural Planning in a Democracy," Proceedings of the Association of Land-Grant Colleges and Universities, 1934, p.60.

[43] Henry A. Wallace, "We Are More Than Economic Men," Scribner's Magazine, v.96, no.6, December 1934, p.321.

[44] Wallace, **Technology, Corporations, and the General Welfare**, p.15.

2.2 Politicians

Social processes for change require the assimilation of new ideas and new concepts among people within the community at large as well as those who have the political authority and organizational resources to make changes possible. After all, law can only be made formally by politicians. Politicians' political beliefs about the appropriate government role in economic domains, without any doubt, influence their perception of economic conditions and their interpretation of ambiguous economic indicators, their selection of particular policies from the available options in a given situation, and their preferences for specific policy instruments to achieve a given political and economic goal. Their ideological predispositions in economic affairs also guide them in the selection of advisors and policy strategies and narrow the sources of influence and demands to which their decision-making procedures are open. In sum, in a social process for change, acceptance of new ideas among practitioners in a policy community does not by itself guarantee a policy change. Leadership of politicians, especially their sincere endorsement of the new ideas and genuine commitment to pursuing the change are absolutely necessary.

Having realized that the ideas of the VDAP in academic circles could not be turned into administrative reality without support from those who had legislative authority, Wilson, Wallace and their colleagues carried on their propaganda campaign to the politicians, who were seeking politically and economically feasible policy proposals to help relieve economic problems.

"Mr. Roosevelt had developed his political philosophy long before the depression began and long before he met any member of his brain trust."[45] Two major aspects of his political and economic philosophy are worth mentioning in order to understand the development of agricultural policy programs in the 1930s. First was his view of agriculture as a fundamental part of the interdependent national economy. Since one-half of the population in the country were dependent on agriculture, Roosevelt said, "if these 50,000,000 people have no money, no cash, to buy what is produced in the city, the city suffers to an equal or greater extent."[46] This view was quite different from the one held by the previous Republican administrations, which had argued that in order to improve the agricultural situation, they had to improve the economic situation of city dwellers first. In other words, if industries revived, the farmer would be taken care of

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[45] Ernest K. Lindley, **The Roosevelt Revolution: First Phase**, New York: The Viking Press, 1933, p.7.

[46] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.1, p.25, p.656.

automatically. But for Roosevelt agricultural depression led to a national economic depression. Different perceptions of the position agriculture took in the economy led to different solutions to the problems. A concept of a "concert of interests" required immediate relief for farmers, which would not be achieved without their cooperation and government assistance.

A second aspect was Roosevelt's belief in government's responsibility for social welfare and social justice. The central issue was the relation between government and national economic well-being. "Blind faith in the self-restoration of capitalism, the certainty of its doom -- both are alien to his way of thinking."[47] There was no sign that Roosevelt had any intention to abandon capitalism or to commit himself to socialism by advocating federal ownership of basic industries, comprehensive planning of economic life or rejecting the profit system as the motivating force for production and distribution.[48] Nonetheless, he did dispute the *laissez-faire* economy, holding that "it had concentrated dangerous economic powers in the hands of a comparatively few men and made it impossible for millions of other men to rise above poverty or, at best, to attain security by their own endeavour."[49] Since the operations of the private enterprise-private profit economy "were not always benevolent and did not always promote general welfare ... those operations must be improved and supplemented by ... Federal government efforts whenever the need arose."[50] As Roosevelt himself stated, "I am not speaking of an economic life completely planned and regimented. I am speaking of the necessity, however, in those imperative interferences with economic life of the Nation that there be a real community of interest."[51]

The belief that government had responsibilities to use its power to redress the balance of the economic world was also rooted in his philosophy of the nature of the State. "What is the State?" Roosevelt asked and answered that:

> It is the duly constituted representative of an organized society of human beings, created by them for their mutual protection and well being. "The State" or "The Government" is but the machinery through which such mutual aid and protection are achieved ... The duty of the State toward the citizens is the duty of the

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[47] Lindley, **The Roosevelt Revolution**, p.15.

[48] Fusfeld, **The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal**, p.257.

[49] Quoted from Lindley, **The Roosevelt Revolution**, p.12.

[50] Fusfeld, **The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal**, p.251.

[51] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.1, p.632.

servant to its master.[52]

Since the well-being of the citizens might be violated by the malfunctioning of the economic system, the State should use its power to improve the performance of the economy through necessary national planning. "The nation or state which is unwilling by governmental action to tackle new problems caused by the immense increase of population and the astounding strides of modern science is headed for a decline and ultimate death from inaction," stated Roosevelt.[53]

As the Depression went deeper, with its train of unemployment, foreclosures and privation, Roosevelt's idea of the state's responsibility for the citizens' well-being and social justice expanded. He became a representative of a new generation who believed in the triumph of the idea of the "positive state" -- that is, the federal government must take a more active role in economic life, such as expanded regulation, welfare legislation and national planning. Even though this philosophical commitment to the regulatory welfare state and rejection of the *laissez-faire* economy might very likely "prescribe a course of economic or political action,"[54] it did not automatically generate a practical national policy program. In fact, Roosevelt "acknowledged that for meeting the deepening crisis a wholly new approach had to be made, one that would affect fundamentally the relations between agriculture and the rest of the economy."[55] From the early stage of his campaign for the presidency, Roosevelt instructed his "brain trust" to look for a farm relief program which would be economically sound and politically feasible.

Rexford Tugwell, a member of the "brain trust" in charge of agricultural issues, was

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[52] "New York State Takes the Lead in the Relief of the Unemployed. A Message Recommending Creation of Relief Administration, August 28, 1931," in Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.1, pp.457-458.

[53] Quoted from Lindley, **The Roosevelt Revolution**, 1933, pp.9-10

Some of these ideas were incorporated in his social and economic programs when Roosevelt was the Governor of New York, such as the relief programs for agriculture and unemployment and programs of reforestation, redistribution of population through better utilization of the land, public development of water power, more rigid control of public utility, old age pensions and unemployment insurance, all of which marked his dissent from the creed of laissez faire economy. Thus, they should not be treated as rhetorical statement only.

[54] Hall, **Governing the Economy**, p.278.

[55] Rexford G. Tugwell, **The Democratic Roosevelt**, New York: Doubleday & Company Inc., 1957, p.229.

asked to solicit a new farm program for the Roosevelt campaign.[56] Sharing political and philosophical beliefs with Governor Roosevelt and academic experience with M.L Wilson and Henry A. Wallace, Tugwell was a perfect bridge between economists who were needed to plot the course of the modern world and politicians whose high duty was to put their ideas into effect. "The demand for change must be met by a supply of ideas on how to restructure politics to accommodate the changing economic and political needs of central decision-mak rs."[57] Tugwell played a key role in simulating the political philosophy of politicians and new economic ideas to deal with farm problems of economists.

In the summer of 1932, Tugwell accepted an invitation to attend the Conference on Economic Policy for American Agriculture, held at the University of Chicago, to discuss all facets of farm policy. The conference brought in most prominent economists in the field: Wilson, Mordecai Ezekiel, Howard Tolley, John Commons, Henry A. Wallace, etc.[58] At the conference, economists were eager to sell the VDAP to politicians who were willing to take a necessary departure from the traditional agricultural policies and were seeking plans for farm relief which would be both politically and economically feasible. At the conference, Wilson presented the consensus of the conferees, which strongly recommended the VDAP to politicians. Tugwell's appearance in the campaign for the VDAP undoubtedly accelerated the pace of bringing the idea into the centre of political debate and of making it known to the government. Afterwards,

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[56] Tugwell had become interested in agricultural problems in an industrialized society in his years as a student. He considered agricultural problems similar to economic failure in all other fields -- over-production and under-consumption. The root of the problem was the uncontrolled laissez faire which had exalted the competition and maimed the cooperative impulses. He reminded people: "the jig is up. The cat is out of the bag. There is no invisible hand. There never was." (Rexford G. Tugwell, "Are the Increasing Power of the President Improving the American Economy," Congressional Digest, v.12, November 1933, p.270) Tugwell made a commitment to the rational control of what he thought to be blind social and economic forces through an effective system of planning which would be instituted within the existing constitutional framework. The main remedy he offered to correct economic maladjustments was "planned capitalism" -- "centralized allocation of resources (central control of capital investment), price controls, and a federal incorporation law." (Sternsher, **Rexford Tugwell and the New Deal**, p.92; Rexford G. Tugwell, "The End of Laissez Faire," The New Republic, October 13, 1926, p.222; Rexford G. Tugwell, "The Principle of Planning and the Institution of Laissez Faire," The American Economic Review Supplement, v.22, March 1932, pp.75-104).

[57] Goldstein, "The Impact of Ideas on Trade Policy," p.32.

[58] Edward L. and Frederick H. Schapmeier, **Henry A. Wallace of Iowa: The Agrarian Years, 1910-1940**, Ames, Iowa: The Iowa State University Press, 1968; Van L. Perkin, **Crisis in Agriculture: The Agricultural Adjustment Administration and the New Deal, 1933**, Berkeley: University of California Press, 1969, p.29.

Tugwell arranged an interview for Wilson to meet with Governor Roosevelt in Albany in July 1932, where the academic ideas were immediately accepted as politically feasible to improve the situation for farmers and agriculture.[59] These ideas were clearly stated in Roosevelt's campaign speech given in Topeka, Kansas, a hard-hit farm state,[60] and later they became the essence of the Agricultural Adjustment Act of 1933.

This discussion has illustrated how the ideas of national planning and the VDAP were initiated, circulated and eventually adopted by politicians as official policy guidelines by the contending presidential candidate in 1932. The issue is important in the study because it is argued that to have significant policy changes, new ideas about economic and political problems must be available. There must be a shift of belief first among practitioners and then politicians, people who are concerned and the public. Without such a shift, it is difficult to foresee a change.

2.3 Farmers and Business

To have radical changes in public policies also requires wide support from the people who are to be affected by the changes. Usually demands for change originate from people who are not satisfied with the existing institutional structure. In agriculture, however, the nature of the industry decides that the demand for change often is diverse and full of conflicts. The antagonistic relationship between producers and processors and, especially, between various commodity groups makes it necessary to have a system of interest intermediation. Before the New Deal, this role was played by agriculturalists in land-grant colleges and USDA extension service and experiment station field workers. They channelled the initial demand from farmers in such a way

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[59] Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**, p.152; Lindley, **The Roosevelt Revolution**, p.304; Richard S. Kirkendall, "A Professor in Farm Politics," Mid-America, v.41, 1959, pp.210-217.

[60] At Topeka, FDR sketched out five "permanent measures" for agriculture: 1. reorganization of the USDA; 2. the "planned use of land;" 3. low taxes for farmers through tax reform; 4. federal credit for refinancing farm mortgage; and 5. lower tariffs. In another six points, FDR specified the detailed measures for farm relief. These included: 1. agriculture should receive tariff benefit equal to that received by industry, and it must be applied in a manner so as not to stimulate increased production; 2. the plan must be financed itself; 3. any new system of agricultural marketing must not result in European retaliation caused by dumping American surpluses on European markets; 4. it must be decentralized, but not create new bureaucracy; 5. it should strengthen the cooperative movement; and 6. it should be voluntary and should not go into effect until a reasonable percentage of the producers of a given commodity had accepted the system. (Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.1, p.704-705).

that it would fit their desired plan.

When the farm industry was hit hard first by the post-war reduction of foreign demand and then the Great Depression, farmers and their organizations cried for help. "They were almost unanimous in agreeing that the government must do something to help agriculture," but they neither had any concrete plans nor were able to agree on any one specific plan.[61] Wilson and his colleagues carried their VDAP campaign to the field directly to educate farmers and farm leaders on the importance of reducing acreage and controlling production as effective measures to raise farm prices. The campaign started in Montana with the help of W.L. Stockton, president of the Montana State Farm Bureau. It took them almost two years (from the beginning of 1930 to the end of 1931) before their campaign reached the national level.[62]

After a decade's struggle for recovery without any success, some farmers had finally, almost grudgingly, realized that the fundamental object of the high-tariff might help manufacturers but not farmers. In the summer of 1932 with three major farm organization still unsure about the VDAP, "spontaneous outbursts of the allotment ideas appeared throughout the country" among farmers. To gain wider support Wilson and his associates made public appeals by crediting farmers with the new ideas -- that is, these allotment ideas "were purely farmer things which come from the soil, and of course they do not have much economics in it but the philosophy and central core is exactly that of the allotment proposal."[63]

The major farm organizations were exposed to the VDAP at the same time, but it seemed that they were more sceptical about the plan than farmers. Each of the major three major farm groups -- the Farm Bureau, Grange, and Farmers Union -- had pursued its own desired plan[64]

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[61] Gilbert C. Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," The Mississippi Valley Historical Review, v.48, 1961-62, p.667; Clifford V. Gregory, "The American Farm Bureau Federation and the AAA," The Annals of the American Academy of Political and Social Sciences, no. 179, May 1935, pp.152-157; Walter W. Wilcox and Clifford R. Hope, "How Farm Policy Proposals Become Legislation," Farm Policy Review, v.12, no.4, 1959-1960, pp.7-15; Orville M. Kile, **The Farm Bureau Through Three Decades**, Baltimore: The Waverly Press, 1948; Christina M. Campbell, **The Farm Bureau and the New Deal: A Story of the Making of National Farm Policy: 1933-40**, Urbaba: University of Illinois Press, 1962, Chapter IV; William R. Johnson, "National Farm Organizations and the Reshaping of Agricultural Policy in 1932," Agricultural History, v.37, no.1, 1963, pp.35-42.

[62] Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment.**

[63] Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**, p.128; Fite, "Farmer Opinion and the Agricultural Adjustment Act, 1933," p.664.

[64] The Farm Bureau supported the old McNary-Haugen plan with the principle of equalization fee. The Grange urged the government to adopt an export debenture plan, which grew from the same basic concept as the equalization fee plan. The plan attempted to correct the price disparity caused by the fact that

and believed that the VDAP would take too long to become effective. They wanted price increases immediately.[65] When farmers' support for the VDAP became popular and, especially, when the prospective presidential candidate, Governor Roosevelt, publicly endorsed the VDAP as part of his national economic recovery plan, in late 1932, farm organizations pledged themselves to support both the candidate and the VDAP for the rehabilitation of agriculture. By this time many farm leaders realized that, at a time of economic hardship and with widely divergent demands for change, "the farm community required a unique sort of leadership if it was to achieve the goal of income parity with other groups in the country."[66] Since "Governor Roosevelt [showed] a very sympathetic understanding of the whole farm problem"[67] and "the impatience of farmers with leaders who failed to affect policy was by now so great as to induce 'panic',"[68] all major farm organizations abandoned their traditionally favoured Republican party and endorsed the Democrat candidate.[69] Moreover, it became quite clear that as the Great Depression continued, people's faith in the market system as fair and efficient waned. It was

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farmers generally sold on a world market and bought in a protected domestic market by raising prices of agricultural commodities. Unlike the equalization plan, it was not complex. It sought to control the local market prices of certain commodities by controlling the export surplus of such commodities. This was to be done by issuing to the farmer a certificate or debenture for his share of the exportable surplus as compared to his part of the total yield in the country. This debenture would have been obligation of the government and would have been paid by the government. This would have been an indirect attempt to make a tariff effective by putting a duty on exports. The Farmers Union preferred "price-fixing by Government fiat, made effective by marketing quotas." (Gregory, "The American Farm Bureau Federation and the AAA," p.153) This was also called the principle of "cost of production," which stood for outright price fixing: prices were to be set by the government so as to equal costs, and costs were to include a profit of salary for the farmer. This plan, more radical than the two-price dumping schemes, was a highly controversial subject among farm groups. The important point is that none of the farm organizations at the time was thinking of control of production.

[65] John D. Black, "Planning, Control and Research in Agriculture After Recovery," Journal of Farm Economics, v.17, 1935, p.22.

[66] Gertrude A. Slichter, "Franklin D. Roosevelt and the Farm Problem, 1929-1932," The Mississippi Valley Historical Review, v.43, 1956-57, p.239; Kile, **The Farm Bureau Through Three Decades**, p.188.

[67] Kile, **The Farm Bureau Through Three Decades**, p.188.

[68] Tugwell, **The Democratic Roosevelt**, p.232.

[69] Historian Schlesinger made this point clear by citing an example: "A. N. Young, president of the Wisconsin Farmers' Union, warned the Senate Agricultural Committee early in 1932: 'The farmer is naturally a conservative individual, but you cannot find a conservative farmer today. He is not to be found. I am a conservative as any man could be, but any economic system that has it in its power to see me and my wife in the street, at my age --- what else could I see but red.'" (Arthur M. Schlesinger, **The Age of Roosevelt: The Crisis of the Old Order: 1919-1933**, Boston: Houghton Mifflin Company, 1957, p.176).

replaced by a belief that major government intervention was essential to a healthy and just society. In this case, the change in perceptions was as greatly affected by economic circumstances as by the orientation of politicians, like Roosevelt.

The business community, also affected by the agricultural depression, came behind the principles of the voluntary domestic allotment plan. This was part of the contribution made by agricultural professionals also. Having realized that the McNary-Haugen plan failed partly because it did not obtain support from business -- indeed, it was strongly opposed -- Wilson and his associates first approached Henry Harriman, president of the Chamber of Commerce of the United States, and obtained his blessing for the VDAP.[70] Later more support came in from the business community for various reasons.[71] Some businessmen, like Harriman, held more radical ideas about agricultural problems as well as problems in the economy as a whole. They had been agitated by the depressing economic situation and hoped to "root out remnants of individualism in the business world, organize it more completely, and establish central control of production and prices."[72] Some remained faithful to the *laissez-faire* economy and wanted to believe "in the free play of supply and demand in an unrestrained market." However, having realized the political consequences of economic depression, they "would rather deal with the supporters of the domestic allotment than radicals."[73] Others had a direct economic interest in a healthy agriculture and "looked upon farm purchasing power as a factor of basic importance and worked to promote cooperation between businessmen and farmers."[74] Wilson and his colleagues were able to convince, and win support from, these people who felt desperate about the farm situation and were willing to accept a change.

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[70] Henry Harriman, "The Stabilization of Business and Employment," The American Economic Review: Supplement, v.22, 1932, pp.63-74; Richard S. Kirkendall, **Social Scientists and Farm Politics in the Age of Roosevelt**, Columbia: University of Missouri Press, 1966, p.34; Rosenman, **Public papers and Addresses of Franklin D. Roosevelt**, v.1, p.854.

[71] These people included Robert E. Wood of Sears, Roebuck and Company, Louis S. Clarke, president of the Mortgage Bankers Association of Omaha, R.R. Roger, the executive of Prudential Life Insurance Company, some publishers, W.R. Ronald, editor of the Evening Republican of Mitchell, South Dakota, George Soule of the New Republic, and even some of the leaders in the grain and milling trade, who had the direct interests to keep production high and prices low. (Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**).

[72] Kirkendall, **Social Scientists and Farm Politics in the Age of Roosevelt**, p.34; Harriman, "The Stabilization of Business and Employment."

[73] Rowley, **M.L. Wilson**, p.129, p.174.

[74] Kirkendall, **Social Scientists and the Farm Politics in the Age of Roosevelt**, p.35.

Conclusion

This chapter has demonstrated that economic difficulties in agriculture in the post World War I period first led to a series of measures designed to modify the policy programs within the existing economic institutions. The failure of these measures resulted in conscious efforts to promote the novel ideas of the voluntary domestic allotment plan among agricultural economists. Economic hardship, failure of a decade's struggle for farm relief and, more important, the incorporation of the economic ideas with philosophical beliefs brought about a temporary public swing from the *laissez-faire* perception of the economic system to a mixed economic philosophy, which encompassed explicit roles for government in the operation of the economic system. This was a social process within which new ideas and policy proposals originated among a small group of experts and then were adopted by people in the community who were affected by both political and economic crisis at the time. However, "ideas acquire force [only] when they find organizational means of expression,"[75] which could be provided only by politicians. With the joint efforts of economists, politicians and people working as bridges between these two groups, the germ of the philosophical-ideological underpinning of the new economic institution, the most important among which is the principle of economic planning, was spread among people who had a direct interest in agricultural change.

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[75] Hall, **Governing the Economy**, p.280.

CHAPTER THREE
CHANGES IN RULES

Once the dominant social thought had turned into a protest against the existing economic order of the society, fundamental changes of the political and economic institutions became inevitable. With the new president committed to pursuing new policies, changes in formal rules governing individual economic activities and their political relationships became feasible. Two aspects of this reform are important to us: One is the change in the economic philosophy of the new rules governing economic activities and the other is the organizational arrangements and relationships among those concerned. Changes in rules and laws lead to changes in people's political and economic behaviour and their expectations for government policies.

This chapter focuses on the changes in basic rules governing agricultural activities -- production, distribution and marketing. It is to explain how the first modern agricultural legislation -- the Agricultural Adjustment Act of 1933 -- came into being, what were the major policy measures provided in the Act and what was the working relationship sketched out in the Act between producers and government, between producers and processors and between agriculture and the rest of the economy. It is argued that the first agricultural adjustment act was created by a new administration determined to refashion the institutions that had been seen lagging behind social and economic developments. The act was a hallmark for fundamental changes in rules and in the guiding principles within which policies would be formulated and individual production and marketing activity would take place. It reflected changed attitudes, new disciplines, a revised legal structure, and unaccustomed limitations on activity. These institutional innovations embodied in and induced by the Act increased the rewards for farmers' cooperation with the government and reduced the risks and uncertainties for them to compete in the market. Additionally, they burdened government not only with responsibilities for economic prosperity and stability but also major elements of risks and uncertainties previously borne by individual farmers.[1]

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[1] It may be arguable whether the New Deal policies represented a drastic departure in American reformism or primarily the realization of reforms incubated during the 1920s. It is without any doubt that the acceptance by the federal government of responsibility for maintaining economic life represented a radical break with tradition and, thus, the six year period, from 1933 to 1938, represented the most rapid institutional change since the Civil War.

The first section of this chapter shows that the first farm legislation in the Roosevelt administration was shaped by economists inside and outside the USDA and that leaders of farm organizations were willing to unite behind the USDA's initiatives. It emphasizes that the electoral mandate received by President Roosevelt empowered his leadership to pursue new agricultural policies. The new rules of the economic game are illustrated in the second section to provide a legislative background for a later discussion of the political game. With new agricultural legislation, political organizational restructuring began both to adapt to and to enhance the rule changes. The third one discusses this political institutional restructuring, which includes reorganization of the USDA through recruiting new personnel and achieving internal integrity, alteration of the power configuration of government officials and of different governmental branches through delegation of power from the legislature to the executive and his bureaucracies. The following part argues that agricultural policies were a complex of laws and measures. This means that for a new set of economic philosophy to sustain itself in guiding agricultural production and marketing, there must be a series of efforts in the connected fields to strengthen the first major reform legislation. The dynamic nature of policies is discussed in this section. The last section shows a new set of relationships between the USDA and farmers and farm organizations that was established by promoting central policy planning and policy making and encouraging active and direct participation of farmers in a decentralized policy implementation framework. It is argued that by encouraging active and direct participation of farmers in policy implementation, the USDA was promoting a direct clientele relationship with farmers to offset potential conflicts with farm organizations and legitimating its activities and itself.

1. Actions

Having wrestled with the problem for over a decade, by the time Roosevelt took the presidency, there was every sign of readiness for action. First, the economic situation had been deteriorating at such a high speed that it warranted immediate and decisive actions from the federal government. Gross farm income from production in 1932 was less than half that of 1929 and banks in rural areas were closed, leaving farmers without credit to get out of the situation (see Table 1 in Appendices).[2] The Depression not only discredited the Republican party, which was in the office at the time, and the ideas it represented but also opened up "the possibilities of

[2] Davis, "The Development of Agricultural Policy Since the End of the World War."

new approaches and ideas."[3] A three-way coalition was formed among labour, agriculture and business to contend the belief that the workings of the market corrected themselves automatically, in time, and at acceptable costs. "Rather, they came to believe in the need for deliberate acts of coordination, order, stabilization, market sharing, and administration."[4]

Agricultural economists made ready a well-thought-out emergency plan for agriculture as a "typically American invention equipped to meet crisis."[5] Farmers had turned away from the Hoover administration and were ready to give their full support to the actions to be taken by the newly-elected Democratic President. Farm organizations had reached unprecedented unity with the endorsement of the VDAP by the Farm Bureau and support from the Grange and the Farmers Union. Congress was content to let the executive branch take the lead in evolving measures to restore farmers' purchasing power.[6] More important, the new president was determined to put his political and economic philosophy of the "positive state" and "social justice" into practice. In sum, the road was open for the New Deal action.[7]

Immediately after his inauguration, President Roosevelt called Congress into special session to deal with the banking crisis. In order to take this opportunity to get badly needed farm relief legislation considered by the sympathetic Congress, the new Secretary of Agriculture, Henry A. Wallace, at the request of the President, called a meeting of representative farm leaders to discuss a farm program which would affect that year's crops.[8] On March 10, 1933, despite the trouble and worries involved in the "black holiday," about fifty farm leaders and farm newspaper editors gathered in Washington, D.C. "They came prepared to agree to *any* reasonable proposal," Wallace recalled. "The conference lasted a day and a half. There were no long

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[3] John T.S. Keller, "Opening the Window for Reform: Mandates, Crisis, and Extraordinary Policy-Making," Comparative Political Studies, v.25, 1993, p.441.

[4] Gourevitch, **Politics in Hard Times**, p.149.

[5] Henry A. Wallace, "Is the 'AAA' Experiment Proving a Success?" Congressional Digest, no.13, December 1934, pp.300-304, p.302.

[6] In the face of growing economic difficulties for farmers, it was obvious that further farm legislation was needed. The question was only what and when. During the winter of 1932-33, the agriculture committees of both Senate and House held hearings and produced bills, but "the effort to enact them was less than wholeheartedly in view of the change in administration scheduled for March." (Davis, "The Development of Agricultural Policy Since the End of the World War," p.314).

[7] Black, "Planning, Control and Research in Agriculture After Recovery," p.22.

[8] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.2, p.79; Kile, **The Farm Bureau Through Three Decades**, p.198.

speeches. There was no rehashing of familiar facts. There was solid agreement on the necessity for action."[9]

Before the first day ended, an agreement was reached, which contained two major principles -- restoration of price-parity for agriculture and relief for distressed farmers. Without any delay, the department began preparing the final text of the bill for Congress. All the major drafters were either agricultural economists or legal advisors "who were also chiefly responsible later for giving the Adjustment Act the character which it eventually assumed."[10] On March 16, President Roosevelt submitted the proposed bill to Congress with a written message, short but full of determination:

> Deep study and the joint counsel of many points of view have produced a measure which offers great promise of good results. I tell you frankly that it is a new and untrod path, but I tell you with equal frankness that an unprecedented condition calls for the trial of new means to rescue agriculture. If a fair administrative trial of it is made and it does not produce the hoped-for results I shall be the first to acknowledge it and advise you.[11]

Without a chance to formulate the bill itself, the special session of Congress passed the measures immediately with little opposition on May 10, 1933. After being signed by the President, the Agricultural Adjustment Act of 1933, known as the "Magna Charter" among farmers,[12] came into being.

The 1933 Act, initiated by a group of economists, formulated and proposed to Congress by the new administration, signified a momentous shift in American politics -- a shift in rule

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[9] Wallace, **New Frontiers**, p.162.

[10] Among them were Henry A. Wallace, the new Secretary, Rexford Tugwell, Assistant Secretary of Agriculture, George Peek, later the first administrator of the Agricultural Adjustment Administration (AAA), Chester Davis, the successor of the Peek in the AAA, Mordecai Ezekeil, economic advisor of the Secretary and also a long time member of the BEA, Fred Lee, a lawyer, and some others. (Edwin G. Nourse, Joseph S. Davis and John D. Black, **Three Years of the Agricultural Adjustment Administration**, Washington, D.C.: The Brookings Institution, 1937, p.19; Kile, **The Farm Bureau Through Three Decades**, p.199).

Later Edward O'Neal, president of the Farm Bureau, made the point clear that farm organizations acted only as a policy taker in this case. "When the President wanted a program," said O'Neal, "he went to the colleges. He gathered his brain trust around him. I'm for the brain trust." (Edward A. O'Neal, "The Land-Grant College -- Its New Opportunity," Proceedings of the Association of the Land-Grant Colleges and Universities, 1933, p.89).

[11] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.2, p.74.

[12] Kile, **The Farm Bureau Through Three Decades**, p.305.

making power from the legislature to the executive. This illustrates one direct consequence of the change, as we will see later in this work, that whoever has the authority and ability to initiate rules also has the control in deciding the direction of an institutional change. Since all institutions are designed and created to further the objectives of their creators, in formulating and making these rules, the creators can maximize their potential opportunities to achieve the desired objectives.

2. New Rules and Regulations

The 1933 Act, prescribing the national agricultural programs, both in stated objectives and outlined instruments, was marked by significant changes from the previous ones which had emphasized helping farmers through scientific and technological research and development and their adoption in farming. The stated objectives of the Act included:

> To relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes.[13]

Under the general goals, some specific objectives were stated in three distinct titles. Title I provided for agricultural adjustment. Title II amended the Federal Loan Act of 1929 and carried additional provision for farm credits. Title III dealt with the issue of currency and was known as the Thomas Amendment. Our focus is on Title I -- **agricultural adjustment**.

The 1933 Act combined two distinct purposes -- long-term **reform** for this industry and short-term emergency **relief** and **recovery**. It was believed that agriculture needed to be readjusted and reorganized in such a manner that it would be freed from the evils of disorderly production and marketing that had led to the depression. This was a long-term economic and political reform and it would be a long process. The second objective was to provide farmers with immediate relief which would free them from the acute distress occasioned more particularly by the prolonged depression. This was a short-term task. Title I was designed to achieve both objectives. Farm prices were to be raised to the level of 1909 to 1914 when there was a "fair"

[13] **The Statute At Large of the U.S.A.**, v.48, Part I, 1934, Washington, D.C.: U.S. Government Printing Office, p.31.

balance between what the farmer received for his produce and the price he paid for the manufactured goods purchased This is known as the **price parity** or **parity** in a simple term.

Two general procedures for achieving the objectives were outlined: production control through reduction in either acreage or output with government direct payment for participants[14] and marketing control by levying taxes on processors.[15] Both were created as voluntary measures. The first procedure, farm allotment, was directed to disorderly production and the second aimed primarily at disorderly marketing. In practice, the measures might be combined. Through these two measures, the Act "laid the basis for an administrative will to intervene in the national agricultural economy."[16] The government would "help farmers adjust their production in a way which would have been impossible for them acting as individuals without Government assistance."[17]

The 1933 Act was one of the first New Deal measures demonstrating opposition to the unregulated market and the demand for fundamental political and economic change to alter the distribution of income.[18] It set forth new concepts for agricultural production and marketing ---

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[14] Voluntary contracts would be signed between farmers, who were willing to control their production, with the Secretary of Agriculture, who was authorized to provide direct benefit payments for producers' participation in the programs. Four measures were outlined for farmers: 1. production control through reduction in either acreage or output, 2. the enlargement of farmers' incomes through direct payments for participation in production control programs, 3. such production control contracts applied to the **basic agricultural commodities**, which included wheat, corn, cotton, rice, hogs, tobacco and milk and its products, and 4. such contracts would be made on the voluntary basis.

[15] Secretary of Agriculture would enter into marketing agreements with associations of processors, and/or the processors or others engaged in handling farm products, as the non-governmental parties, with respect to prices, marketing conditions, volume of marketing, and perhaps even volume of production. Marketing agreements were permitted for all commodities and not merely the seven basic commodities. Like production control contracts, marketing agreements should also be voluntary, with the consensus of the parties involved. However, to make marketing agreements effective, the Secretary was granted power to issue licenses to these handlers to eliminate unfair practices or charges. Moreover, to raise money for the programs, the Act provided for the levying of a processing tax whereby a processor of any basic commodity would pay a tax equal to the difference between the current average prices and the average 1909-1914 prices.

[16] Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal," p.275.

[17] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.2, p.177.

[18] Many scholars have criticized the 1933 Act as class biased because it was created to favour commercial farmers. (Gilbert and Howe, "Beyond 'State VS. Society': Theories of the State and New Deal Agricultural Policies") Their criticism is especially warranted for the later development of farm programs, from which large commercial farmers have benefited a great deal, very often at the expense of small family farms and tenants. However, it is not the topic this works deals with. While it is recognized that some groups of farmers have benefited more from the farm programs than others, it is also recognized that this

production controls, price supports and marketing agreements -- all of which departed from the previous farm legislation which had encouraged individual, unregulated expansion of production. The government, through the Act, assumed both responsibility for this economic sector and risks and uncertainties farmers used to bear. The farmer was asked and expected to comply with the programs, in which production and marketing practices were to be under the rule and guidance of the federal government, with tangible inducements offered by the government. As a result, farmers began to depend on the government as much as on the market. Whenever the market failed to function properly, checks would come in from the government to those who cooperated with the programs. This economic sector, therefore, became a government-sponsored enterprise. This transformation from an individualistic to a government-sponsored economic sector was mirrored by a shift from individual production and marketing practices to collective activities under government regulation and with government assistance. In the process, "the old rules of the game [were] being changed and new rules [were] being discovered."[19]

3. Changes in Organizations and Relationships

The 1933 Act outlined various measures to correct disorderly production and marketing. These rules and measures provided "sets of rights and obligations affecting people in their economic lives"[20] and were supported and expanded by a set of organizations and a set of cooperative and competitive relations among concerned actors -- people who were to enforce and people were to be affected by the laws and rules. In other words, the formal rules resulted in the creation of formal organizations which are designed to further the objectives of the formal rules. Specifically, with the enactment of the 1933 farm act, the federal government assumed

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is more a result of conscious efforts made by USDA officials than the political influence imposed by large farmers. Through the decades, USDA officials, especially those who have the power to initiate and formulate policies, have held that large commercial farmers are their first-class clients. Because large commercial farmers produce more than 75% of agricultural products and generate almost 80% of farm receipts, the welfare of the industry depends on the welfare of this group of farmers. Thus, they have made conscious efforts to make sure that the farm programs will be maintained and expanded. Since deliberate policies have been pursued and made to continue the farm programs by the USDA and its high officials, the focus of this study is on the question of how they have been able to do so and what relationship they have maintained with farmers, farm organizations and other economic sectors in society.

[19] Wallace, **New Frontiers**, p.263.

[20] R.C.O. Mathews, "The Economics of Institutions and the Sources of Growth," Economic Journal, v.96, 1986, p.905.

responsibilities which did not exist before.[21] These responsibilities were institutionalized with the creation of several agencies. The creation of these formal organizations also produced a series of informal constraints regulating the relationships among farmers, farmer organizations, congressional agriculture committees and government agencies, the USDA in particular which was authorized to carry out the rules outlined in the Act.

This section discusses the federal government's efforts to centralize power within the USDA. "One cannot understand a great government department in terms of its functions unless one also includes as a determining factor the work of pioneer civil servants."[22] The pioneer civil servants in the modern USDA were a body of career economists who took administrative positions at a time of political and economic crisis. Sharing similar political and economic values, these reform-minded social scientists were recruited to and politicized in the USDA. They shaped the bureaucratic ideology of the USDA, which would guide and influence policy making in the following years. But effective policy making and implementation depends on more than a coherent bureaucratic ideology. The bureaucracy in charge must also have an administrative capacity -- the knowledge, the resources, the personnel, the administrative organization. This is the administrative feasibility for policy making. Such feasibility derives from both organizational structure and organizational functions. Examining personnel recruitment of the USDA and its achievement of internal integrity, and the expansion of the organizational function as the result of the expansion of the rule making authority, this section argues that with the development of modern farm programs, the USDA developed into a powerful central bureaucracy which attained general power and legitimacy by moulding its institutional capacities.

3.1 Reorganization of the USDA

Increased government involvement in economic affairs called for the building of a new class of civil servants capable of developing a deep sense of professionalism, of identifying themselves completely with the national interest, and of acquiring expertise in industrial management and public administration. Once these experts were placed in the top positions of the

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[21] For example, under the act, millions of farmers entered into contracts to reduce acreage in specific surplus crops in return for benefit payments, financed by processing taxes on the commodity concerned. All these provisions required new government agencies to implement them.

[22] John M. Gaus, L.O. Wdott and V.B. Lowis, **Public Administration and the United States Department of Agriculture**, Chicago: Public Administration Service, 1940, p.83.

bureaucracy, their shared values were likely to become the bureaucratic ideology of the organization.[23] This is because top officials are the ones who control major information collection and analysis, and, more important, policy formulation. Their perceptions of the problems that needed to be dealt with affect the direction of the policies of the organization and their social function. When these beliefs are internalized and institutionalized, they become administrative ideologies, which promote collective adherence to institutional obligations and become transcendent institutional beliefs with independent, objective constraining power. Such bureaucratic beliefs are much more resilient than bureaucrats who can come and go at any time.

"The fundamental significance of the adjustment concept embodied in the Agricultural Adjustment Act is that it shifts the theatre of decision from the small individual enterprise, where it resided under a system of *laissez faire* and the *assisted laissez faire*, over to a central planning agency."[24] The only authoritative government agency in the field at the time was the Department of Agriculture. Planning was an exercise of governmental powers and its success depended on an effective and sympathetic administration which had to have a great deal of authority. To have effective national planning in agriculture, President Roosevelt decided to "reorganize the United States Department of Agriculture, looking toward the administrative machinery needed to build a program of national planning."[25]

The first step of this reorganization was to bring in a group of "service intellectuals" into the cabinet. They were either committed to or sympathetic with Roosevelt's call for change of the existing political and economic order, a call for "liberal reform."[26] These service intellectuals "brought with them an alertness, an excitement, an appetite for power, an instinct for crisis and a dedication to public service which became during the thirties the essence of Washington."[27] In agriculture, the head of the service intellectuals was Henry A. Wallace. He was chosen as the Secretary of Agriculture not only because he shared political and economic views on the current problems with the President but also because of his reputation and the connections he had developed during a 12-year-long search for solutions to the depressed

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[23] Anthony Downs, **Inside Bureaucracy**, Boston: Little, Brown and Company, 1967, Chapter 19.

[24] "Fundamental Significance of the Agricultural Adjustment Concept," p.254.

[25] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.1, p.699.

[26] Fusfeld, **The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal**, p.227.

[27] Schlesinger, **The Age of Roosevelt: The Coming of the New Deal**, p.17.

agricultural economy. As "the executive head as well as the political head," the Secretary of Agriculture must have the ability "in determining policies and in insuring that these policies received political support from Congress, farm organizations, and other pressure groups."[28] His family reputation, personal experience and involvement in agriculture and his personal political and economic commitments qualified Wallace to be the perfect mediator between the new administration, farmers, economists, land-grant colleges, farm organizations and national legislators.

The first New Deal farm legislation carved out an unprecedented role for the federal government in controlling production and marketing. To accomplish this, the law created the Agricultural Adjustment Administration (AAA) **within** the USDA, not as an independent agency. This determined, from the very beginning, that the AAA was to be different from its predecessor, the FFB, its sister agency, the Farm Credit Administration (FCA), and its counterpart in the field of industrial recovery and adjustment, the National Recovery Administration, all of which were set up as independent commissions answerable to Congress or to the President. The AAA, as an action agency, became "an integrated part of the USDA and had to "co-ordinate" with the existing bureaus of the Department. The AAA was able to "stand out as one of the best administered of New Deal agencies" because of "the surprising smoothness of its administrative operation."[29] To ensure that the Act would be interpreted and carried out in the way its designers wanted, Secretary Wallace recruited into the USDA and its affiliated agencies a group of reform-minded economists "who would be most likely to assemble and operate it sympathetically and understandingly."[30] Yet, the AAA was successful and effective in turning agriculture around only after the first seven months, during which an internal ideological and organizational struggle was going on.

Because of his business experience, his aggressiveness, and his unvarying sympathy for farmers, among other qualities, George Peek became the first head of the AAA and Charles J.

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[28] Gladys L. Baker, "And To Act for the Secretary: Paul H. Appleby and the Department of Agriculture: 1933-1940," Agricultural History, v.45, 1971, p.243.

[29] Nourse, et al., **Three Years of the Agricultural Adjustment Administration**, p.246; The AAA has been cited as a typical example of the state autonomy by state-centric scholars. (see Finegold, "Farm Agrarianism to Adjustment: The Political Origins of New Deal Agricultural Policy;" Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal;" Hooks, "From an Autonomous to a Captured State Agency;" Schlesinger, **The Age of Roosevelt: The Coming of the New Deal**, p.71).

[30] Wallace, **New Frontiers**, p.168.

Brand, one of the drafters of the first McNary-Haugen plan with "encyclopedic knowledge" of the processing and distributing as well as production of farm products, became co-administrator of the AAA. Yet, both of them, especially Peek, were strong advocates of marketing adjustment and expansion of the export market through export-dumping policies and opponents of production control. Criticizing the principles and arguing against the political feasibility of production control, Peek insisted that,

> There was really no such thing as overproduction. If people both at home and abroad had sufficient food and clothing ... there would be no price-depressing surpluses. Therefore, the objective of any government program should be to maintain parity prices for that amount consumed at home, and somehow find markets for the surpluses.[31]

The difference between Peek's argument and that of Wallace seemed to be a technical one: Peek "took the position that the problem was essentially one of handling the supply after it had been produced, not controlling production;"[32] while Wallace argued that export-dumping policies were suicidal for they would lead to inevitable retaliation from foreign countries. Thus, production control became necessary if price parity was to be achieved.[33] The struggle between

[31] Gilbert C. Fite, **George N. Peek and the Fight for Farm Parity**, Norman: University of Oklahoma Press, 1954, p.245.

[32] Ibid, p.245.

[33] Believing that surplus dumping policies would only hurt the American economy and farmers as well, Wallace argued that "unless we get paid for our exports in goods sent back to us, it does not do any good to increase the volume of exports." (Wallace, **Technology, Corporations, and the General Welfare**, p.25). That is, unless foreign purchasing power for American products was increased and unless the world economic situation was improved, the farm problems had to be solved within the country and American farmers had to face the necessity for continued drastic control of production. Wallace was not a protectionist and, to the contrary, was an internationalist, believing that trade liberalization movement would come eventually and was to be permanent. "What we have done has been frankly experimental and emergency in nature, but we are working toward something which is going to be permanent. We are temporizing with the situation until the American people are ready to face the facts. The bare, distasteful facts, I mean, involved in such matters of policy of exports, imports, tariffs, international currency exchange, export quotas, import quotas, and international debts. These are the weapons of economic warfare which are more deadly than artillery. These economic weapons are so subtle that they have a nasty way of bouncing back on you with redoubled force when you think you are using them against the enemy." (Henry A. Wallace, "American Agriculture and World Markets," Foreign Affairs. v.12, 1934, p.225) However, while he was in favour of international economic cooperation, Wallace realized that the agricultural policies had to adjust to the changing international markets. "We must recognize as realists that the world at the moment is ablaze with nationalistic feeling, and that ... it is highly unlikely we shall move in an international direction vary fast in the next few years. Therefore, we must push with the greatest vigour possible our retreat from surplus acres ..." (Henry A. Wallace, **America Must Choose, The**

the proponents of export dumping and marketing adjustment and advocates for production control might be seen as an argument over the means, not the ends, as some people have argued.[34] The essential issue of the struggle, however, was a political one over whether individual production freedom should be limited and regulated by the federal government. Peek represented the "economic-outlook" group and Wallace the "social-outlook" group. The former argued for free competition with necessary but limited government aid, the latter for the necessity of national agricultural planning and government regulation of production and marketing. The former represented a type of view that "the functions of the state [should] be understood in apolitical terms,"[35] while the latter recognized that the government function was definitely a political one -- to increase the economic power of a numerous and disadvantaged group obliged to deal with a small and more advantaged group.

Their different economic and political beliefs eventually led to a power struggle, for ideas without power could never become reality. As the administrator of the AAA, Peek had enacted production controls only as a duty and placed special emphasis on the two-price system for expanding external markets. Meanwhile he challenged Wallace's authority and demanded independence for the AAA and became a "bitter foe of the New Deal, calling the AAA 'socialized farming' and a conspiracy hatched up by the 'collectivists' in the Department of Agriculture."[36] "Unwilling to shove agreements through which we knew to be economically unsound and therefore unenforceable" and believing that "sound progress cannot be made in their work without harmony and cooperation,"[37] Wallace was determined to keep the integrity of the USDA and the AAA. As a consequence. Peek "resigned" as the administrator of the AAA seven months after he had taken the position.[38]

Advantages and Disadvantages of Nationalism, of World Trade and of a Planned Middle Way, 1934, p.2).

[34] Theda Skocpol, "Legacies of New Deal Liberalism," Dissent, v.30, 1983, p.34.

[35] Peri E. Arnold, "Ambivalent Leviathan: Herbert Hoover and the Positive State," in **Public Value & Private Power in American Politics**, ed., J.D. Greenston, Chicago: The University of Chicago Press, 1982, p.130.

[36] Fite, **George N. Peek and the Fight for Farm Parity**, pp.243-266; Perkin, **Crisis in Agriculture: The Agricultural Adjustment Administration and the New Deal, 1933**, pp.168-186; Schapsmeier, **Henry A. Wallace of Iowa**, p.178.

[37] Wallace, **New Frontiers**, p.190; Wilson, "Federal-State Relationships in Agriculture," p.93.

[38] To justify the resignation of Peek, President Roosevelt offered Peek to be his special assistant on foreign trade policy.

Chester Davis, former director of the Production Division of the AAA, succeeded Peek as the head of the AAA, with Howard R. Tolley as his assistant and Wilson heading the Division of Wheat. These three were only a few of a large group of economists recruited into the USDA at the time. They were not only dedicated specialists who knew the mechanisms of agricultural business and economics but also agriculturists who were willing to represent the interests of farmers and were trained to have a social point of view, thinking in terms of the welfare of individual farmers and agriculture as well as the general welfare of the society.

Their shared background, education and associations with the Secretary, their dedicated political and economic beliefs and their willingness to represent the interests of farmers ensured the smooth operation of the AAA and the farm programs. More important, their specialty in research and analysis, once incorporated into decision making, allowed them to define the agenda in handling the economic crisis and correcting economic imbalances, to pacify their constituencies while pursuing the Department's policy agenda, and to justify their policies to the people they represented and the public. The shift in identity from university professors to civil servants carried with it a transformation of policy orientation for the Roosevelt administration. Thus, by the time the AAA was safely in the hands of those favouring production controls, "a new spirit of teamwork developed in the AAA."[39] The AAA became the real spearhead of the Secretary's forces for serving agriculture.

The AAA's experience in the first seven months shows that even though the new ideas -- that a positive state was needed to redress economic and social injustice -- were accepted by the majority of people in the agency, there was inevitable opposition. Therefore, more decisive actions were needed to achieve the desired policy goals. "The nature and degree of goal consensus among a bureau's members has a crucial impact upon the way it performs its function."[40] Conscious selection of high-level officials is one way to ensure goal consensus within a government agency.

Furthermore, the fact that a large group of experts were drawn into the USDA and a wide range of functions was designated by a series of laws indicated a new feature of the modern government agency. The USDA became an economic bureaucracy as well as a bureaucracy of economists. As administrative economists, these experts held both a regulatory orientation as

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[39] Benedict, **Farm Policies of the United States: 1790-1950**, p.306.

[40] Downs, **Inside Bureaucracy**, p.223.

administrators did, and a development orientation, as economists did. For a long time in the following years they were able to define the major policy agenda, make major decisions, draft virtually all legislation concerning agricultural production, marketing and management, and control the sources of all major policy innovations in this economic sector. In doing so, the organization can "build ideologies and values into standardized solutions that tend to define the problems to which they are applied."[41]

3.2 Delegation of Power

The 1933 farm act not only changed the rules of production and marketing but also delegated a wide range of authority to the USDA. Delegation of power from the legislature to the executive and its bureaucracies usually comes from two directions. The executive demands broader power to plan, to regulate, and to intervene in national economic and social life under whatever justification and rationale it can provide. The legislature is willing to do so either because the problems are technically too complicated to understand and to handle without expertise or the circumstances are such that the executive has to have broad discretionary authority to handle [illegible] promptly.[42] In the early 1930s the executive sought broader delegated powers from Congress for [illegible] reasons -- a sense of "war," "crisis" and "emergency" and the complexities of the newly designed farm programs which needed to be implemented accordingly.

With strong convictions on the positive and active state role in national economic and social life, President Roosevelt, in his inauguration speech, demanded that Congress give him "the one remaining instrument to meet the crisis -- broad Executive power to wage a war against the emergency, as great as the power that would be given" if the country were in fact invaded by a foreign foe.[43] Carrying the same message along, Secretary Wallace during the hearings on the 1933 farm bill requested Congress to "enact legislation granting broad and flexible powers to the administration [and] thrust for a solution of the present emergency to the exercise of sound

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[41] Janice M. Beyer, "Ideologies, values, and Decision Making in Organizations," in **Handbook of Organizational Design: Remoulding Organizations and Their Environments**, eds., P.C. Nystrom and W.H. Starbuck, London: Oxford University Press, 1981, v.2, p.187.

[42] Lowi, **The End of Liberalism**, 1979; Sundquist, **The Decline and Resurgence of Congress**, pp.156-159.

[43] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.2, p.15.

discretion by the Chief Executive and those who carry out his programs."[44] Congress was willing and ready to delegate to the executive wide-ranging authority to deal with the crisis. "This law cannot be administered unless you give the Department a lot of leeway," said Senator Peter Norback. "I am perfectly willing to give it to them."[45] Representative John McDuffie of Alabama supported the idea: "It is true this bill grants a great deal of power but this country is in a state of war -- not against a foreign enemy but war against economic evils that demand some sacrifice on your part and mine."[46] Crisis thus justified those who requested and those who delegated authority to the bureaucracy.

Furthermore, the proponents of the VDAP in both the USDA and Congress were concerned about the survival of the designed VDAP. As indicated above, while by the beginning of 1933 there had been enough consensus on government intervention in the agricultural economy, support for other measures was still strong among some administrators and farmers. Secretary Wallace "feared that commitment to a single method of farm relief would increase both political resistance and administrative inflexibility."[47] This fear was shared by other VDAP proponents because traditionally agricultural production had always been encouraged and the industry had by and large been left alone to individual producers. To achieve the desired policy changes politically, they decided to formulate a policy with only general guidelines, leaving out the crucial details and at the same time demanding wide-ranging discretionary power for policy interpretation and implementation. In doing so, they hoped that their designed policies would be enacted promptly and implemented accordingly. "So he [Wallace] proposed in March that the administration offer a bill which would authorize a variety of methods and leave the choice among them to the Secretary."[48] Having submitted to Congress the farm emergency relief proposal with general guidelines broad enough to win sufficient support from those whose primary interest was production control as well as those who advocated marketing and export

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[44] Nourse, et al., **Three Years of the Agricultural Adjustment Administration**, p.33.

[45] Perkin, **Crisis in Agriculture: The Agricultural Adjustment Administration and the New Deal, 1933**, p.47.

[46] William E. Leuchtenburg, "The New Deal and the Analogy of War," in **Change and Continuity in Twentieth-Century America**, eds., John Braeman, Robert H. Bremner and Everest Walters, Ohio State University Press, 1964, p.108; more examples can be found in Sundquist, **The Decline and Resurgence of Congress**, pp. 134-136.

[47] Schlesinger, **The Age of Roosevelt: The Coming of the New Deal**, p.38.

[48] Ibid.

dumping measures, the framers of the Act holding both views wanted to make sure that sufficient powers be given to the administration to utilize it for their own purposes.

"The proposal to grant broad authority to the Executive fell on receptive ears."[49] Congress passed the comprehensive 1933 act with sufficient leeway for political as well as personal maneuverability in its implementation. Supplying only general guidelines for national agricultural policy and leaving to the executive and the bureaucracy the responsibility for filling in the details allowed the executive to define the functions, responsibilities, rules and regulations and to prescribe administrative regulations. This is one of the most important changes achieved under the New Deal and one of the main causes for the coming expansion of government.[50]

With sufficient delegated power from Congress, the USDA ceased to be merely a routine servant or a passive and reactive agent, and the survival of the New Deal farm programs no longer depended upon the active consensus of Congress but on the willingness of the USDA. The USDA itself became the executive initiator of programs and statutory interpreter -- for a while, almost the only one. Consequently, executive power was construed to include administrative power -- the administrative power to include both the execution of established policies and initiative in developing new ones. Once the administration assumed legislative leadership, or, in other words, became the formulating agency for proposals to be considered and decided by Congress, the great bulk of decisions and actions taken by the government were heavily influenced, if not determined, by administrative officials whose decisions and actions depended upon their capabilities, their orientations and their values. As a consequence, it became very important for the government department which had been delegated a wide range of authority in policy formulation and implementation to achieve its internal integrity.

4. Dynamic Nature of Policies

Institutionalizing a belief system into concrete policy programs and their implementation was a long and dynamic process during which ideas, policies and actions would have to adjust themselves to environmental changes. Development of an operational policy program is another of the AAA's contribution to American agricultural development in the 1930s. The 1933 Act was passed, carrying with it several major goals, which included, for example, increasing returns to

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[49] Wallace, **New Frontier**, p.162.

[50] Sundquist, **The Decline and Resurgence of Congress**.

farmers and, thus, an increase in farmers' purchasing power, promoting national recovery, which was believed to be achieved by providing jobs for the industrial unemployed, and promoting welfare and maintaining family farms. The measures to achieve these goals were stated in the Act and amended and supplemented by other laws, executive orders, and administrative orders in the following years to formulate a broad program of **Agricultural Adjustment**. This is the dynamic nature of the 1930s agricultural policy and the major reason to keep an organization active, effective and efficient. Any operating organization needs a developing policy program to keep it alive, to make it possible to adapt itself to the changing environment and to make the policy programs more suitable to its own goals and mission. The major modification of the agricultural adjustment program included the Bankhead Cotton Control Act, the Kerr-Smith Tobacco Control Act, Executive Order No. 6340, and some other amendments and administrative rulings.

When the price decisions of July-October 1933 came, it was clear that the payments to farmers could not flow as quickly as the situation deteriorated.[51] The drastic drop of farm prices in the late summer and fall of 1933 became a "political thunderstorm" sparking a call for radical actions by the government. In order to "provide the relief necessary to protect the general welfare of the people," to accomplish the agricultural adjustment already on its way and, more important, to counterattack the unreasonable and economically unsound demand from the "energetic, yet selfish people thinking solely about short-term or regional objectives,"[52] the administration took several decisive measures to adjust the new farm programs and also to establish relevant agencies to accomplish these goals.

One action taken was the establishment of the Commodity Credit Corporation (CCC) by Executive Order on October 16, 1933 and its cooperation with the USDA. The CCC was authorized to make loans to farmers, with its entire capital stock of $3 million, held jointly by the Secretary of Agriculture and the Governor of the Federal Credit Administration (FCA).[53]

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[51] Concerning the situation see Wallace, **New Frontiers**, pp.56-60.

[52] Wallace, **New Frontiers**, p.56.

[53] The CCC was established as an independent agency outside the USDA and technically it became the authority to make farm loans. Nevertheless, the formation of the board of the directors of the CCC and the requirement to apply for the loans indicated the CCC and the commodity credit program were an integrated part of the whole adjustment program. The board consisted of eight members, three of which were from the USDA -- the Secretary, Wallace, the Administrator of the AAA, Peek, and Oscar Johnson, Director of Finance of the AAA -- two from the FCA, Governor Henry Morgenthau and General Council Herman Oliphant, and another three from the Reconstruction Finance Corporation (RFC). (see Nourse, et al. **Three Years of the Agricultural Adjustment Administration**, Note 5 on pp. 11-12 for the detailed

The CCC was established "to contribute to the support of farm prices by enabling producers to hold on to their products which might otherwise have been dumped with resulting price declines."[54] By the joint decision between Secretary Wallace and Governor Morgenthau of the FCA, the loans would be advanced only to those cotton and corn growers who agreed to participate in the production-reduction programs. As a consequence, "the impetus for such programs came from within the AAA, and in practice they were so closely tied to it as to be properly considered as AAA activities."[55] The CCC added real teeth to the AAA to ensure the success of the New Deal farm programs. With loans from the CCC, farmers would receive sufficient material incentives to comply with the AAA's production adjustment programs.

While it took a decisive measure to balance domestic production and distribution and stabilize farm prices and incomes, the federal government made sure that these domestic policy goals would be achieved with the assistance of its trade policies. As a supplement to the adjustment program, in July 1933, the Reconstruction Finance Corporation (RFC) made $50 million in loans to the Chinese government to purchase American cotton, wheat and wheat flour, and also made loans to American exporters to finance exports of 60,000 to 80,000 bales of cotton to the Soviet Union. Even though this type of export loan and subsidy was often seen as having little significance for general agricultural adjustment, the government made an attempt to balance the two approaches in farm recovery -- production control and export subsidies.[56]

Other major amendments and supplements to the original adjustment programs included the Bankhead Cotton Control Act of 1934, Kerr-Smith Tobacco Control Act of 1934, the Jones-Connally Act and Jones-Costigan Act of 1934. The first two enacted tighter controls on production reduction and the latter two expanded the support lists to rye, flax, barley, peanuts, sugarcane, etc. To ensure the success and effectiveness of these problems, more government agencies were created to provide funding for the programs. One of them was the Federal Emergency Relief Administration (FERA), which was authorized to draw relief funds for purchases of agricultural products in support of the Act of 1933. The Federal Surplus Relief

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information on the RFC).

[54] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.2, p.407.

[55] Perkin, **Crisis in Agriculture**, p.190; Nourse, et al, 1937, pp.157-158; Benedict, **Farm Policies of the United States: 1790-1950**, pp.332-333; Murray R. Benedict, **Can We Solve the Farm Problem**, New York: The Twentieth Century Fund, 1955, pp.235-237.

[56] Nourse, et al., **Three Years of the Agricultural Adjustment Administration**, pp.190-194.

Corporation, later named the Federal Surplus Commodity Corporation (FSCC), was created as an operating agency for carrying out cooperative food purchase and distribution projects of the USDA and FERA. These laws and agencies, enacted and established following the 1933 Act and AAA, enhanced the predominant control of the USDA in agricultural production and marketing and policy making. As a consequence, there was a dramatic increase in the size of the USDA. Sympathetic experts were brought to these agencies to centralize power in the USDA. This was the product of the conscious efforts of state-building by high USDA officials who were determined to build a durable institutional structure to administer this economic sector.

In sum, in this period agricultural adjustment not only came into being as "operating rules, which either as statute laws, common law, or voluntary contracts, specify terms of exchange within the framework of the constitutional rules,"[57] but also was institutionalized with the creation and reorganization of operating agencies whose functions, defined by laws, justified them and their expansion through policy implementation. The dynamic nature of the USDA was well indicated by these newly created policy programs and agencies. The program was of necessity a developing plan, and only with a constantly developing plan of an operating program can the operating agency survive.

5. Centralization of Planning and Decentralization of Implementation

The last feature of the New Deal farm programs was the decentralized implementation framework, carrying with it the principle of political democracy supplemented with economic democracy. "Economic democracy means that the various groups must have equality of bargaining power. But going along with this ***right***," explained Secretary Wallace, "there is also the ***duty*** of serving the general welfare."[58] It was argued that the old-style, self-governance political democracy which had been able to take care of the decentralized economic forces of the old days had become insufficient as economic forces became more and more centralized and certain groups became absolute winners and other "alms givers." When one group was exploited so that a dangerous lack of balance appeared, it was necessary for the government to help the backward group to restore the social balance. "To accomplish this," pointed out Wallace, "there

[57] Douglass C. North, **Structure and Change in Economic History**, W.W. Norton & Company, 1981, p.203.

[58] Wallace, **Technology, Corporations, and the General Welfare**, p.75.

must be democracy in the market place as well as the polls."[59] It was believed that economic democracy could not spring in full measure from the grass roots any more than political democracy could. It would require a wide range of centralized discretionary power in the hands of the Secretary to work out a national policy program, which would provide government guidance and aid to individual farmers and groups of farmers in making economic readjustments and "the assurance that group interest is properly related to the general welfare."[60] This was not "the centralized control of agriculture but the centralizing power of government,"[61] justified USDA officials. It thus differentiated itself from dictatorship, regimentation and authoritarianism.

It was also argued that national economic planning and policy making in agriculture could only be maintained with general consensus, and newly enacted farm programs could not be carried out in their full terms without mass participation. A series of decentralised administration measures was needed to stimulate farmers' participation and encourage individual responsibility for their farming. This was, as Tugwell suggested, "a question of reconciling the esoteric and the exoteric -- expertness and public opinion ... [and] a matter of creating an agency which would plan effectively outside of the realm of politics while remaining subject to public control."[62] The idea of economic democracy as a supplement to political democracy was also supported by President Roosevelt who argued that economic democracy not only "gave political democracy real meaning"[63] but also provided a better justification for a changed program. The specific mechanism of economic democracy was embodied in the AAA county committees.

With the newly delegated discretionary authority, the USDA gained unprecedented freedom of action regarding agricultural production and marketing. Yet, there still remained a question: how it would be able to implement the new farm programs which required the participation of farmers. While developing the VDAP, M.L. Wilson, who was considered "a prophetic advocate of democratic planning,"[64] came up with several implementation devices, which included county production control associations, voluntary contracts and farm referenda

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[59] quoted from Donald C. Blaisdell, **Government and Agriculture: The Growth of Federal Farm Aid**, New York: Farrer and Rinehart, Inc, 1940, p.166.

[60] Wallace, **Technology, Corporations, and the General Welfare**, p.77.

[61] Nourse, et Al, **Three Years of the Agricultural Adjustment Administration**, p.478.

[62] Sternsher, **Rexford Tugwell and the New Deal**, p.101.

[63] Tugwell, **F.D.R.: Architect of an Era**, p.vii.

[64] Lord, "M.L. Wilson: Pioneer," p.507.

on important issues. These devices, it was argued, embraced the principle of "social discipline" in the interests of "the general welfare" and fused centralized national planning with decentralized implementation. They were endorsed by other USDA officials who hoped, with these measures, they would be able to "reform the power structure of farm politics," "to avoid the petty politics involved in state governments" and to dislodge the Farm Bureau which was growing discontented with the USDA.[65]

The new farm programs required a nation-wide executive set-up to estimate production-reduction acreage and payments for compliance. None of the three major farm groups -- the Farm Bureau, the Grange or the Farmers Union -- was in a position to carry out such a grand project or was able to mobilize the majority of farmers to take concerted action in participating in the farm programs. Membership of farm groups had dropped steadily since 1921, and they were in a great disarray in terms of what programs they favoured for economic recovery.[66] Unlike the farm organizations, the extension service was a nation-wide built-in system for helping farmers. It "was the only agricultural agency with representatives in virtually every farm county."[67] As government agencies, the extension services obtained their instructions directly from the USDA, whose officials not only made policies but also designed the way to implement them. They had a better understanding of the Act than either farmers, farm organizations or politicians.

Edward O'Neal, on behalf of the Farm Bureau, "suggested that Extension Service be utilized with its county agents and supporting farm groups in every agricultural county."[68] There is every reason to believe that the Farm Bureau's suggestion was meant to "keep the AAA from

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[65] Kirkendall, **Social Scientists and Farm Politics in the Age of Roosevelt**, p.6; Rowley, **M.L. Wilson and the Campaign for the Domestic Allotment**, p.179.

[66] The best example is the Farm Bureau, the largest among all farm groups. It membership had dropped from 446,000 in 1921 to 163,000 in 1933 and most of its members were in the Midwest, not other parts of the country. Together three organizations took merely 10 percent of total farm population in 1933. Also the Farm Bureau was the only one which had endorsed its full support for production control in 1933 and the Grange and the Farmers Union simply did not try to block the passage of the Act because they did not have anything at hand to propose for farm relief. (McConnell, **The Decline of Agrarian Democracy**, pp.185-86).

[67] Samuel D. Rasmussen, **Taking the University to the People: Seventy-Five Years of Cooperative Extension**, Ames: Iowa State University Press, 1989, p.97.

[68] Kile, **The Farm Bureau Through Three Decades**, p.203.

Later the Farm bureau would realize that the function and performance of the Extension Service became a great threat to its own control and influence on the USDA and agricultural policy making.

establishing a competing organization in every farm county in the nation."[69] Nevertheless, the idea to use the existing organizational network in implementing the new policy programs coincided with what Wilson and other USDA officials sought -- namely, that local administration of the action programs should be decentralized through county committees selected by farmers themselves.

With the help of the Cooperative Extension Service, the County Control Associations were formed by farmers who were willing to participate in different commodity programs. They elected the county agents in charge. These county committees "were concerned at first about getting Government checks out to farmers as quickly as possible."[70] Later with the assistance of and instructions from the commodity sections in the USDA in Washington, state extension specialists and county agents, these county committees studied crop supply and demand conditions and price relationships, brought general economic information to bear on local problems, helped growers develop the production records necessary for their contracts, and checked compliance of individual farmers with the terms of the contracts. Nevertheless, "these local associations cannot finally formulate and administer national programs." That duty logically belonged to the adjustment administration and to the Secretary of Agriculture directly.[71] As a consequence, while information collection, scientific and technological research, and policy initiation and formulation were centralized at the top, with the AAA and USDA high officials, operative activities of farm programs were decentralized at the county and individual level. This decentralized administrative network was summarized as the following:

> First, the central agency in Washington undertook to enunciate broad policies, give official pronouncement to programs formally adopted, select or approve personnel, and take final responsibility for the manner in which programs were executed. Second, upon state and local agencies fell primarily the task of counselling as to the broad character or detail applications of programs, carrying them into actual local application, acting as liaison agents in clearing up uncertainties so to rulings and smoothing out frictions or inequalities, keeping Washington intimately and correctly informed as to producer reactions, and assisting in working out necessary modifications.[72]

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[69] Rasmussen **Taking the University to the People: Seventy-Five Years of Cooperative Extension**, p.98; For detail also see McConnell, **The Decline of Agrarian Democracy**, Chapter 7.

[70] USDA, **Yearbook of Agriculture**, 1935, p.8.

[71] USDA, **Yearbook**, 1935, p.8.

[72] Nourse, et al., **Three Years of the Agricultural Adjustment Administration**, p.77.

This practise, which was praised by Secretary Wallace as "something new under the sun,"[73] helped build a direct linkage between the federal government and individual farmers and represented a change in the power arrangements of farm politics. "The farmer committee idea meant that farmers should engage in politics much more directly and in much greater number."[74] Through this practice, farmers developed a feeling of direct stake to the USDA's agricultural programs and, thereby, the fate and changes of the USDA itself. They also became more dependent on the USDA for instruction and benefits.

"The democratic philosophy of program making which has animated the AAA was also found expression in the use of referenda."[75] Farm producer referenda were developed as a means to justify USDA's production control and marketing quota programs to the public. The first farm referendum concerning production control was held in the spring of 1934 to enforce the Bankhead Cotton Control Act.[76] Similar referenda were held in 1934 and 1935 to decide whether voluntary methods of adjustment of corn, wheat and tobacco production should be supplanted with other measures such as quotas, tax devices or compulsory controls. The referenda usually were preceded by an "educational campaign, the impetus of which comes from the Department of Agriculture."[77] The educational work prior to the actual voting included holding educational meetings at the district, state, county and community level to explain the proposed policy and the direct benefits farmers would receive from the policy, and distributing USDA-published newsletters, pamphlets and publications to farmers. The voting itself was usually supervised by county agents. Through these practices, the USDA was able to "mould farmer opinion rather than follow it" by creating "a favourable attitude on the part of both farmers and the general public toward the policy."[78]

There were practical as well as political reasons for adopting these new administrative

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[73] Wallace, **New Frontiers**, p.265.

[74] Richard S. Kirkendall, "Four Economists in the Political Process," Journal of Farm Economics, v.41, 1959, p.207.

[75] Nourse, et al., **Three Years of the Agricultural Adjustment Administration**, p.64.

[76] The Bankhead Cotton Control Act of 1934 required that compulsory production control become effective only when the two-thirds of the producers voting in a referendum approved it.

[77] L.V. Howard, "The Agricultural Referendum," Public Administration Review, v.2, 1942, p.18.

[78] Howard, "The Agricultural Referendum," p.25.

techniques to implement the new farm programs. Practically, the success of the AAA programs depended upon their wide acceptance by the groups to whom they applied.[79] Motivating large numbers of farmers to participate in production control and marketing agreements was the key to the success of the programs. Politically, the successful enactment of the new farm programs required political legitimacy. That is, when the federal government for the first time in history launched such a broad intervention in an economic sector, criticisms and accusations seemed inevitable. To prevent potential charges from various groups, the USDA took active measures to ensure the public acceptance of the legitimacy of both farm programs and their implementation. "Involved in all this is the idea of more and more decentralization of many economic and government functions, while at the same time the central government steps in more decisively than hitherto to impose limits beyond which the smaller units cannot go,"[80] stated Secretary Wallace. The use of government to restore economic and social balance by subordinating private to collective interests, by replacing selfish individualism with cooperation and regulation, had to be justified by the proper democratic procedures. Once these measures were in place, they would become part of the whole accepted by both government officials and farmers who were to be affected.

This analysis suggests that the New Deal was "the high water mark of ... the theory of bureaucratic clientelism" in agriculture.[81] There had long been a clientele relationship between USDA and farmers through various government-sponsored activities, such as land-grant colleges, experiment stations and extension service. Government officials from the USDA and other state and local officials had provided farmers with necessary scientific and technological information and education to expand production and enhance productivity and marketing competitiveness. This relationship can be seen as unidirectional -- government help going to farmers.

The clientele relationship established through the implementation of the agricultural

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[79] Secretary Wallace make this point clear in a radio speech: "Referenda are a practical and necessary step in carrying out a part of the farm program which depends for its success upon having overwhelming support of the farmers concerned." (Rasmussen, **Agriculture in the United States: A Documentary History**, p.2432).

[80] Wallace, **New Frontiers**, p.284.

[81] James Q. Wilson, "The Rise of the Bureaucratic State," The Public Interest, no.41, 1975, p.90.

adjustment acts in the 1930s was bidirectional. It emphasized the central planning, general direction and regulation on the side of the government, and self-restraint and cooperation on the side of farmers. The agricultural policy making literature usually emphasizes the participation of farmers and farm groups in policy implementation and fails to recognize that both sides, farmers and government, became part of the whole process. It can be argued that "the recipients of subsidies have more specific interests, are more self-conscious and organized, and are better able to secure access to the political decision points than are the more amorphous, less well-organized, and more diffuse taxpaying interests."[82] However, the fact that benefit payments were distributed directly from the USDA to those farmers who had participated in the programs not only facilitated farmers' power in securing the existence of the programs but, more important, enhanced the authority of the USDA in planning, regulation and subsidizing and in protecting and promoting the interests of farmers as it saw fit. This is how the agricultural policy community was established in the 1930s, with its closed membership, fixed policy agenda and a set of procedures to protect and promote the interests of its members.

In a sense, it may be fair to argue that the USDA took advantage of both the economic crises, for farmers were desperate to get government help, and the fragmentation among farm organizations which made it possible for it to consult all of them without making any serious commitment to any particular one. Moreover, establishing a direct connection to individual farmers by offering them tangible financial inducements to participate in government programs, the USDA by-passed farm organizations and was, in fact, in a better position than other organizations to convince farmers where their interests lay and what policies would benefit them most. In doing so, the USDA centralized power in policy making and implementation and, consequently, expanded its capacity to structure the context in which farmers and farm organizations acted politically.[83]

The fact that its financial and organizational position empowered the USDA with the capacity to influence the behaviour of individuals and groups of individuals by offering rewards and imposing penalties does not mean that the USDA would be able to win its political battles

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[82] Samuel P. Huntington, "The Democratic Distemper," The Public Interest, no.41, 1976, p.14.

[83] This argument is very different from ones offered by other scholars who have argued that the utilization of county agencies in implementing AAA programs dismantled the USDA's control over farm programs and strengthened the Farm Bureau. (McConnell, **The Decline of Agrarian Democracy**; Hooks, "From Autonomous to a Captured State Agency").

against farmers or farm organizations all the time, nor does it mean that it would not help them in raising subsidy levels when necessary in opposition to other government agencies. The financial and organizational authority provided the USDA with an advantageous position, but this does not guarantee that it will employ the advantage to do whatever its clients want. It may employ a combination of measures, procedures, and its capacity in planning, manoeuvring and regulation to achieve long-range objectives which may not be preferred by farmers or their organizations for their short-term benefits. It may also coalesce with its affiliates to defend its narrowly-defined interests, which are not necessarily compatible with those pursued by the President or Congress. Specifically, once a direct relationship was established between the USDA and individual farmers, the USDA would be able to solicit and receive support from farmers or to utilize farmers' demands to regulate farm organizations' behaviour. It could also utilize the demands from farm organizations and farmers to justify its actions against efforts by other government agencies to reverse the direction of the farm programs preferred by the USDA. In sum, even though there is no single pattern of behaviour, one point needs to be made clear: legitimate power provides government agencies with advantages over their clients as well as their counterparts in government.

Conclusion

American agricultural institutional structure underwent a fundamental change in the first half of the 1930s. This change included those of "constitutional rules," "operating rules," and "behaviour code" through the first agricultural adjustment act of 1933, its amendments and extensions, and their implementation. Under the provisions of the Act, the "fundamental underlying rules designed to specify the basic structure of property rights and control of the state"[84] were altered. Redistributive commodity policies started taking shape. Individual decisions of agricultural production and marketing became subject to the national planning, guidelines and regulations. And three basic functions -- to act, to plan and to analyze -- were transferred from the private sphere and placed under public control.[85] Along with these changes in rules and laws, there was institution building, which consisted of both organization

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[84] North, Structure and Change in Economic History, p.203.

[85] Theodore W. Schultz, "Some Economic Effects of Developments in World Affairs Upon American Agriculture," Proceedings of the Association of Land-Grant Colleges and Universities, 54th annual convention, 1940, p.53

arrangements and behaviour patterns. These were revealed in the reorganization of the USDA, which brought into it a group of energetic, ambitious and sympathetic professionals. The common political, economic and social beliefs and values they advocated -- necessary state intervention in national economic life, regulated balance in supply and demand under the principle of "social discipline," and achieving social justice through social actions -- gradually took shape as the bureaucratic ideology.

This institutional change was also revealed in the change of human and social relationships. Two modern sets of relationship -- the legislature and bureaucracy, and bureaucracy and its clients -- set their roots in this period. Delegation of power from the legislature to the executive and its bureaucracies led to the expansion of the government and later the relatively closed system of policy making in this economic sector. New clientelism was established with the direct relationship between the USDA and farmers and with their cooperation. Through this relationship the USDA acquired predominant power.

This agricultural institutional change occurred at the right economic time (the massive and brutal Great Depression), the right political time (an innovative and experimental president assuming the office and the coming elections of both executive and legislature), and the right professional time (a group of progressive service intellectuals bringing in innovative ideas to deal with the economic depression and social imbalance). Once the time passed and a new institutional structure took shape, it would dominate for quite a long time until the next "extraordinary" occasion came. In sum, by the mid-1930s, a new agricultural structure had developed its enduring features which included a set of beliefs incorporated in both farm policies and farm politics, a host of policy programs emphasizing production control and price and income stabilization, and a policy community open only to its "members" and with the USDA in charge of policy initiation, justification and implementation.

CHAPTER FOUR
INSTITUTIONALIZATION OF AGRICULTURAL REFORM

Government became substantially involved in agricultural production and marketing in the first three years of the New Deal by introducing, enacting and implementing a series of policy measures and reorganizing the policy making and policy implementation institutions in this sector. These policy measures and actions taken by the government at the time represented "an extraordinary new departure for the U.S. national government, which abandoned its previous stance of minimal interference in the domestic market economy in favour of comprehensive attempts at administrative intervention."[1] Once relief was achieved through the specific policy measures, such as emergency relief payments and production control, etc. these emergency devices were expected to be replaced soon by a more permanent national agricultural program for securing, on a continuous basis, the needed production adjustments. The experience in the following decade shows how the temporary measures grew their roots into permanent ones which would guide agricultural development in the next five decades.

The Supreme Court's decision to strike down the 1933 farm act and World War II led to a more systematic state intervention in agriculture. The Soil Conservation and Domestic Allotment Act of 1936 was introduced to replace the invalidated Agricultural Adjustment Act of 1933 and the more comprehensive and detailed Agricultural Adjustment Act of 1938 was enacted to replace the stopgap 1936 Act. Since then the 1938 Act has become the backbone of government agricultural policies. It was during the Second World War that not only were price support levels raised substantially but, more importantly, the support levels were fixed at higher levels. When Congress finally enacted the Emergency Price Control Act of 1942, these fixed and higher support levels for both basic and non-basic commodities were to continue for two more years after the end of the war. Price support programs were written permanently in the book.

By the end of the war, state intervention in agriculture had been accepted as part of life by both farmers and farm organizations and by both politicians in Congress and USDA officials. It had been institutionalized with government playing a decisive role in the development of an economic strategy for farmers and the sector, imposing pressures on farmers to comply with its

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[1] Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal," pp.255-56.

strategy, and demonstrating its willingness to finance such compliance. With the expansion of the scope of agricultural programs, the USDA, its Secretary in particular, was granted more authority to spend appropriated funds for agricultural adjustment, soil conservation, erosion control, rehabilitation and relief, crop insurance, rural electrification and, far more important, to employ direct administration where that seemed necessary and desirable to achieve the purposes envisaged. The discretionary authority over a wide-range of policy areas enhanced the USDA's legitimacy and capacity in fostering the socioeconomic change, securing the order of policy priorities and the consistency with which they were pursued, and protecting and promoting farmers' welfare. Its dedicated officials in charge of national agricultural planning and its organizational and financial capacity not only turned the USDA into one of the greatest strategists for agricultural development but also ensured its leading position within the agricultural policy community in its relations with farmers, farm organizations and congressional agricultural committees.

This chapter is divided into three sections. The first section focuses on the policy programs developed in the second half of the 1930s and during the war to provide a historical and policy background for the following analysis and to demonstrate the transition undertaken after 1936 from the temporary emergency phase of the adjustment programs to a long-term phase. The second examines the desire and willingness of the USDA and its officials to take the responsibility for national agricultural planning to achieve planned efficiency. It also discusses their capacity to define and select policy alternatives and set the direction for agricultural policy development. This capacity which, in turn, created institutional persistence and policy inertia, was affected by many factors, such as organizational arrangements, effective recruitment of personnel, shared values of organizations as well as policies. It is argued that the combination of newly recruited experts and reorganization had generated a sense of a special mission within the USDA and among USDA officials. The USDA had rendered itself some definable and defendable interests which might or might not be consistent with those of special interests, whether farmers or farm organizations, agribusinesses or other economic sectors. USDA officials in general felt that they were granted an authority to perform a mission which invoked the constant definition and defense of the established farm programs and organizational relationship. The third section focuses on the double role played by the USDA during the war -- that is, to defend the interests of farmers and agriculture as a whole and to keep their demands in line with the desired policies of the administration by invoking symbols of national unity, influencing the public attitudes and cultivating public support for these policies.

It is argued that in the face of the Supreme Court's decision and World War II, the USDA emphasized centralization and concentration of policy making to enhance its capacity to govern. These efforts were encouraged and supported by President Roosevelt. Meanwhile, as specialists taking positions in a service-oriented government agency, USDA officials perceived themselves as representatives and protectors of farmers and were more concerned about farmers than any other groups in society. They became an effective conduit reinforcing the voice of farmers within the government and articulating their demands for expansionary government support programs. While they were undertaking the burden of justifying continuation and expansion of farm price support programs in a changing political and economic situation, their positions as public employees ensured that they held broader and longer-term view than farmers in looking after the welfare of the agricultural industry. It would not be surprising to see their support of the administration's decisions on various issues in opposition to farm organizations. In sum, the combination of the specialty and commitment of USDA officials and its bureaucratic imperative to expansion can partially explain their different perceptions of political and economic problems in agriculture from both farmers and politicians and different ideas about how to deal with the problems. Meanwhile their commitment to national planning in turn enhanced their leading position in the farm community.

Through the second and third section, the relationships between farmer, farm organizations and the USDA in policy making and policy implementation process are examined. It is held that the tightly woven agricultural policy community formed in the first three years of the New Deal was strengthened in the next decade when the intimate association between the USDA and farmers' enterprise developed as a result of the combination of the accepted regulation and welcome service provided by the USDA. Direct ties between the USDA, its agencies and its field workers and farmers reduced farmers' reliance on farm organizations for economic and social benefits and, thus, reduced the latter's political influence, especially their influence on the USDA. The findings in this section challenge the argument that the New Deal agri .ltural economic institution collapsed in the late 1930s either due to a lack of societal support o ..er the weight of its internal contradictions, or as a result of "administrative decision initiated by the state [to] set in motion the decline of bureaucratic strongholds within the USDA."[2]

2. Legislative Background

Legal rules and administrative regulations affect the barriers to entry and exist in different sectors of the economy and affect legitimate claims of government protection and support. The 1933 act, for example, included several commodities on the list of government protection and support but not others. It regulated under what conditions farmers could enter the industry of planting the supported commodities and who would finance the support programs. In other words, laws and regulations define the legitimate beneficiaries as well as cost-payers. Being the fundamental rules governing economic activities, they are in the forefront of challenge and scrutiny by contenders from various directions. In the U.S., the distinct executive, administrative, legislative and judicial sets of institutions are connected by a set of written and unwritten laws to practice their deliberative and adjudicative responsibilities. Actions taken by the legislature or executive, for example, are subject to the scrutiny of the judiciary when they are legally challenged and when the latter decides to do so. Usually the Court is passive as an instrument of government and it is "radically particularistic in decision making."[3] Yet, since the Court is able to make the constitution an instrument of its predilections, refusing some issues and accepting for decisions only those it chooses to consider, and then saying what they mean, the final determination of government actions belongs to the Court if it chooses to intervene. At a time of an economic crisis, the unprecedented political and economic actions taken by the Roosevelt administration provoked a great controversy with the Supreme Court.

In less than a half year after the Supreme Court unanimously struck down the National Industrial Recovery Act (NIRA), which was enacted for government to plan and regulate industrial economic functions formerly shaped by market competition in the public interest, the constitutionality of the Agricultural Adjustment Act of 1933 was brought to the Court for examination.[4] The issue was whether the federal government had authority to tax and appropriate

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[2] Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States," in Evans, et al. eds., **Bringing the State Back In**, pp.107-68; Hooks, "From an Autonomous to a Captured State Agency."

[3] Skowronek, **Building a New American State**, p.27.

[4] Under the provision of the 1933 Act, the Secretary of Agriculture was authorized to enter into contracts with farmers, under which the farmer, in return for a cash benefit payment, agreed to retire a stated percentage of his acreage from production of particular commodities. The revenue for these

money raised by such taxation to accomplish purposes lying within the field of the reserved powers of states. The Court decided:

> It is a statutory plan to regulate and control agricultural production, a matter beyond the powers delegated to the federal government. ... Resort to the taxing power to effectuate an end which is not legitimate, not within the scope of the Constitution, is obviously inadmissible.[5]

Another issue challenged by the Court was that farmers were "forced" to comply with the production control written in the 1933 Act under the threat of financial ruin. "The regulation is not in fact voluntary," argued the Court. "The farmer, of course, may refuse to comply, but the price of such refusal is the loss of benefit."[6] This was economic coercion which was deemed unconstitutional. Based on these arguments, the Court not only invalidated the 1933 Act but also the Bankhead Cotton Act, the Tobacco Act and the Potato Act.[7] The New Deal agricultural programs were, thus, killed by the Supreme Court.

No sooner was it declared unconstitutional than the administration began to cast about for some substitute measures which would preserve the benefits which farmers had received under the invalidated act. The Soil Conservation and Domestic Allotment Act was enacted in 1936 as an emergency measure to shore up the gap left by the Supreme Court's ruling and to continue the payments to farmers. Crops were classified as soil depleting or soil building and direct payments were made to farmers for shifting acreage from soil-depleting crops to soil-building ones. In doing so, the administration hoped that two major objectives could be achieved -- to promote soil conservation and reestablish and stabilize farm income through government direct payments. In addition, the 1936 Act also introduced a parity income concept, which aimed at

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payments was to be derived from the levy of taxes on the processing of the commodities involved. The Hoosac Mills Corporation, a Massachusetts cotton mill represented by Butler, former Republican Senator and an intimate friend of President Coolidge, challenged the constitutional validity of the federal government's taxing power in this matter. The District Count found the taxes valid and ordered them paid. Upon appeal the Circuit Court of Appeals reversed the order. The United States government appealed the case to the Supreme Court. United States versus Butler was argued on December 9, 1935 and the Supreme Court, by a 6 to 3 decision, held the 1933 partially unconstitutional on the basis of the Article X of the Tenth Amendment of the Constitution.

[5] Rasmussen, **Agriculture in the United States**, pp.2361-62.

[6] Ibid., p.2363.

[7] These three acts did not rely on voluntary crop reduction agreements, but provided for compulsory crop production through the means of destructive taxation supported by criminal penalties.

maintaining the same relationship between purchasing power of farm and non-farm per capita income that existed in 1910-14. The major methods for implementing the objectives of the Act were programs for soil conservation, expansion of markets, and domestic production allotments.

In the following two years, the USDA worked out a more comprehensive program to replace the stopgap 1936 Act. Five major objectives were stated in the Agricultural Adjustment Act of 1938: 1. to conserve national soil resources, 2. to assist in the marketing of agricultural commodities for domestic consumption and for export, 3. to provide an orderly, adequate, and balanced flow of cotton, wheat, corn, tobacco and rice in interstate and foreign commerce, 4. to assist farmers to obtain parity prices for such commodities and parity incomes, and 5. to assist consumers in obtaining adequate and steady supplies of such commodities at fair prices.

Several old and new policy devices were made available to the Secretary to control production and stabilize farm prices and income. One of them was the direct payment to farmers for soil-conservation practices. The Secretary was empowered to make such cash payments to those farmers who followed the acreage allotments recommended by county committees and shifted their acreage from soil-depleting to soil-building crops and those who cooperated in other soil-building and conservation practices. With this measure, Wallace correctly predicted, "soil conservation [became] an important and enduring framework for the whole program."[8] Another major measure adopted was the loan system which included storage loans and non-recourse loans. The storage loan would apply to the compliant farmers for storing the products either at their own farms or in a licensed warehouse. Such loans were made mandatory for wheat, cotton, corn, rice and tobacco. The non-recourse loan is still being used today in the 1990s. That is, if the price fell below the support level and the borrower chose to surrender the products in satisfaction of the loan, he would not be liable for any loss that might accrue to the government. Other measures, such as the marketing quota system, parity payments, freight-rate adjustment, crop insurance for wheat, purchases of surplus farm products for distribution to persons on relief, and the like, were also written in the book. The most significant implication of the Act was that, as far as the farmer was concerned, these programs reduced the risks and uncertainties involved in agricultural production and marketing. Farmers were guaranteed not to become a loser in any

[8] Henry A. Wallace, "The New Farm Act, Balanced Abundance for Farm and City," in **Agriculture in the United States** p.2428.

Soil conservation has always been an easy and attractive justification for people in this sector to enlist broader support for their price and income support programs.

situation, as Wallace described it under the programs, "tails I win, heads you lose."[9] As far as government was concerned, it undertook the responsibility to "be the guarantor of farm prices and the underwriter of excess farm production without limit -- a course which would bankrupt the strongest government in the world in a decade."[10] The legacy of these programs is still felt today.

The war brought in increased domestic and external demands for American agricultural products. To refurbish the existing programs for war demand -- to provide additional impetus to the changed orientation of policy away from managing production control toward stimulating production increase, Secretary of Agriculture, Claude Wickard, at the end of 1940, asked farmers to revise their plans to stop cutting down pig production and. if possible, to increase it to meet domestic and foreign demand. Immediately after the Lend-Lease Act was passed on March 31, 1941, Secretary Wickard, again within his authority, announced a decision which would provide more economic incentives for farmers to increase production in pork, dairy products, eggs, canned vegetables, and dry beans, despite the opposition of those who feared that, with the end of the war, the increased production might bring about another price crush in agriculture. Meanwhile, the USDA did not touch those programs covering the basic commodities.[11] To encourage a large output of products needed for the war and to protect farmers from a potential price collapse resulting from their adjustment from war to peace, Congress, at the request of the USDA, passed the Steagall Amendment. The Steagall Amendment directed the USDA to support the prices of most important farm products at no less than 90 percent of parity or comparable price during the war and until two years after the war was over.

The significance of the Steagall Amendment was that the government made a definite commitment to price supports by a mechanical application of the parity formula to allow a

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[9] Wallace, **New Frontiers**, p.233.

[10] **Public Papers and Addresses of President Roosevelt**, v.7, p.3.

[11] Most economists and USDA officials at the time argued that production control over the basic commodities should be maintained because the demand would not reduce the pressure of the surpluses of these commodities. They argued that the demand would not exceed the supply in a short period of time. Even if the demand would increase dramatically, as Secretary Wallace argued, the USDA had sufficient discretionary authority to "bring about an astonishing increase in food products at the cost of the minimum of dislocation of our economic system and to our future soil fertility." (Henry A. Wallace, "The Future of the American Farm," New Republic, November 8, 1939, p.48; Claude R. Wickard, **Farmers and Defense**, Washington, D.C.: American Council on Public Affairs, 1941; Charles E. Noyes, "Shifting Markets for Farm Products," Editorial Research Reports, v.1, January 3, 1940, pp.3-18).

redirection of productive efforts towards new ends. Once the government made a promise that it would support prices and incomes at certain fixed levels for a fixed period of time, farmers as well as the public expected the government to keep the promise. Furthermore, farmers' support for the enactment of the Steagall Amendment demonstrated conclusively that farmers had benefited from the operation of the existing farm programs and were determined that they would not be deprived of these advantages that they had obtained in the 1930s. Finally, it also showed that the USDA was willing to use the war emergency as an additional justification for continuing its newly created policy programs with very few substantial changes. In sum, the analysis shows the enduring nature of formal rules and laws which defined the "legitimate" interests to be protected and regulations to be followed.

2. Initiatives from the USDA

Studying the relationship between "the state" and "the interests" in policy making, Peter Gourevitch asks a series of questions:

> Within the society, whom does the policy benefit? Who supports it? Who opposes it? Does actual policy correspond with the wishes of a significant coalition of interests? If so, there is again no reason to prefer "state structure" to either conventional "group politics" or "Marxist reductionism" as an explanation. When policy and the interests of the strongest coincide, it is not clear that the state has produced the result. Politics and structure may help one group of interests defeat another. It is certainly important to ask: what levers do structures give various interests in policy battles?[12]

Since it is not clear whether the state or the interests produce the policy result, it is important to study the capacity of organizations in defining and selecting policy alternatives and initiating policy programs.

While the 1933 Act was enacted as a temporary and emergency measure to alleviate the farm crisis, the AAA was established to function on a commodity basis, which in many respects was roughly equivalent to dealing with the problems by regions. However, most of its framers, particular M.L. Wilson, J.D. Black and H. Tolley, "were only incidentally interested in emergency relief." Their major interest was in the reform and the AAA's "contribution to a

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[12] Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," International Organization, v.32, 1978, p.906.

continuing program of improved agricultural organization for production, marketing and land-use."[13] As the aspects of relief and recovery of the New Deal farm programs were institutionalized into the AAA, CCC and FCA, etc., the idea of reform was institutionalized with the creation of the Program Planning Division within the AAA in 1934. The Program Planning Division (PPD) was established to centralize planning in the USDA, to develop a more comprehensive and permanent program for securing, on a continuous basis, the needed production adjustments and to coordinate operation of various commodity programs.

> It seeks to relate the various activities of the Agricultural Adjustment Administration and of other government agencies whose functions affect agriculture into a unified attack on farm problems. It aims to develop production adjustment programs instituted to meet emergency situations into a long-term plan for reestablishing farming on a satisfactory economic basis.[14]

The establishment of the PPD allowed more economists to work together with those in the BAE in outlining fundamentals of a larger and more permanent program toward which the existing emergency program could gradually be shaped. The specific functions included laying the ground work, doing the preliminary thinking and working on several phases of the problems of developing a coordinated adjustment program adapted to the needs of the different areas within the larger regions producing the basic commodities.

One of the interests of the PPD at the time was to develop a coordinated long-term plan for the better use of land resources which could be integrated with the price support and production control programs.[15] While nullification of the NIRA by the Supreme Court warned the USDA that its own programs might face challenges soon, opposition to the agricultural programs could be heard among middlemen and processors who were furious about paying

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[13] Black, "Planning, Control and Research in Agriculture After Recovery," p.24.

[14] Howard R. Tolley, "The Program Planning Division of the Agricultural Adjustment Administration," Journal of Farm Economics, v.16, 1934, p.582.

[15] The plague of the dust bowl in those days aroused people's concern on the devastated effects of short-sighted private exploitation of land resources and the legitimacy of paying farmers for reducing their production by levying taxes on food processors was questioned by even some government officials. As a consequence, the USDA was eager to find some sound legal ground for the continuation of production control program. Meanwhile, some framers of the 1933 act showed their interests in wise land-use long before the act was enacted. (M.L. Wilson, "A Land-Use Program for the Federal Government," Journal of Farm Economics, v.15, 1933, pp.217-35).

processing taxes on farm products they prepared for the market as well as for storage.[16] It became imperative for the USDA and its officials to find other ways to obtain federal budget outlays with the justification to finance production control and marketing quota programs. The combination of these factors "gave the social scientists a new opportunity to push their ideas successfully"[17] and motivated the USDA, the PPD in particular, to speed up its research on a transitional plan based on the principle of soil conservation and wise use of land resources, which was welcomed not only by politicians and economists but also by farmers.

Several other reasons can also explain the steps taken by the USDA toward more national planning. One was the belief of the New Dealers inside the USDA. They argued that for farmers to compete successfully in a market where other sectors were highly organized, collective actions must be taken. Yet, the individualistic nature of agricultural production left little room for such actions without government financial assistance as an incentive for farmers' compliance.[18] "There must be cash assistance to farmers," argued Secretary Wallace, and cash flows could only come from on a more acceptable and permanent ground than just for emergency relief.[19] Soil conservation combined with production control programs would allow farmers to practise "good farming" while receiving "legitimate" government financial assistance.

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[16] After the Supreme Court struck down the NIRA, large amount of legal suits flooded in, challenging the constitutionality of levying processing taxes on farm products in 1935. As a result about $300 million, almost one quarter of the total expenditure for the whole programs, was held by court injunctions obtained by processors against the payment of the tax. (Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.4, p.436).

[17] Kirkendall, **Social Scientists and Farm Politics in the Age of Roosevelt**, p.145.

[18] Since the end of the 1910s, there had been a cooperative movement in almost all states. Marketing cooperative associations were formed on the basis of a single commodity and membership was restricted to actual growers. "Delivery to the association was assured by signing the members to binding, long-term contracts; the crop was pooled by grades; and the returns to the farmers were based on the annual average price obtained by the pool to which they contributed ... The crop was to be marketed on an orderly basis throughout the entire production period, instead of being dumped on the market during the harvest season; and a sufficient amount of it had to be controlled to influence prices and maintained low overhead costs." (Theodore Saloutos, **Farmer Movements in the South, 1865-1933**, Lincoln: University of Nebraska Press, 1960, pp.261-62). However, production was left to individuals until the farm programs were enacted in 1933. Accompanying the marketing cooperative movement was the "Farm Bloc" formed in the House Agriculture Committee in 1921, which lent its strong support to farm corporative. (The details of the discussion of the movement can be found in Saloutos, **Farmer Movements in the South, 1865-1933**, Chapter 15, "Business Agrarianism is not Enough;" Robert P. Howard, **James R. Howard and the Farm Bureau**, Ames: The Iowa State University Press, 1972; Kile, **The Farm Bureau Through Three Decades**; Tolley, "Agricultural Planning in a Democracy," pp.60-62).

[19] Henry A. Wallace, Address before Indiana Farm Bureau, Indianapolis, February 12, 1936, in Congressional Digest, v.15, March 1936, pp.80-81.

Another reason can be found in the interests of the USDA. "The state is an active agent, moulding society and serving the interests of office-holders sometimes as much as, or more than, the interests of citizens."[20] Like other service-oriented government agencies, the AAA was created with specific functions to operate the farm programs. In doing so, it generated certain rights and responsibilities and, therefore, developed its institutional stake to maintain and expand the programs. Programs were the basis for its existence and their successful maintenance and expansion were the basis for its survival. Thus, finding legitimate reason to continue the farm programs became the first priority for USDA officials after the nullification of the NIRA. The creation of the PPD as an impartial and professional organization, fundamentally concerned with efficiency and effectiveness of farm programs, was one of the main efforts made by the USDA to achieve this goal. Its claims of technical competence and commitment to promote interests of future generations facilitated its leading innovative function in the policy making process and, more important in this case, in its pursuit of a better-grounded permanent farm program.

Compared with the well-prepared USDA, farm organizations were frustrated and desperate when the decision invalidating the 1933 Farm Act came from the Supreme Court. In defiance of the Supreme Court's ruling that the production control programs were "economic coercion," farmers and farm organizations defended the programs on the basis of protecting their basic *rights*.[21] While they wanted a continuation of the farm programs and, at least, "some immediate, if temporary, remedy," they had no idea how to do so and what they could do. They went to the USDA for solutions.[22] By this time, they were willing to support any policy

[20] Atkinson and Coleman, "Policy Networks, Policy Communities and the Problems of Governance," p.154.

[21] The resolution worked out at the National Agricultural Conference made this point clear by demanding the continuation of "the right of American farmers to be given machinery by which they can adjust supply and demand by legal means with something like the same effectiveness with which American industry adjusts supply and demand." (Congressional Digest, 1936, p.75) The 1933 Act had instilled a sense of cooperation among farmers and their awareness of the need for concerted efforts in bringing supply and demand in balance. The Political repercussions were that, once farmers had a taste of cooperation with the national government and benefited from the collective actions and enjoyed rising prices, fattened incomes, higher land values, they would be "becomingly conservative" and demand continuation and expansion of government supports.

[22] Three days after the Court's decision, the Farm Bureau held a board meeting, inviting Secretary Wallace and the Director of the AAA, Davis, to discuss the possible immediate actions they could take to continue the direct payments to farmers to control production. At the meeting, its president, O'Neal, pleaded, "Henry, my boy, what are we going to do? Haven't you thought of anything yet?" The desperation was among members of the Farm Bureau as well as those in other farm organizations. They all demanded the USDA take some immediate actions to make up this set-back. (Kile, **The Farm Bureau Through**

substitutes which were legally feasible to achieve the same goals as provided in the 1933 Act and once again they were willing to see the Secretary granted broad authority to implement incoming programs.[23]

While the demand for a continuation of the farm programs was strong among farmers and farm organizations, it could not become a reality without the commitment of the President and support of Congress. Even though Roosevelt's role in the development of the 1936 Farm Act is not clear from the record, he showed a great interest in land planning and prophecy for a shift of farm programs from an emergency one to a permanent one. His interest in conservation was evident in his reforestation programs implemented when he was the Governor of New York, and his leadership in 1933 to secure the legislation of the Civilian Conservation Corps and the Tennesse Valley Authority.[24] President Roosevelt not only supported the efforts being made by the PPD but also urged a quick transition to a permanent program. Two months before the Supreme Court's decision, the President announced the administration's intention to shift the farm program to one based on soil conservation and wise land use. "It was their [AAA's] intention -- as it is mine -- to pass from the purely emergency phases necessitated by a grave national crisis to a long time, more permanent plan for American agriculture," stated President Roosevelt.[25] The message was clear that the farm programs should not be killed on any grounds, at least for a short period of time. The principle -- obtaining and maintaining equality for agriculture with government direct planning and support -- should be the guideline for the coming agricultural programs. Congress could hardly wait for decisive action to put the new farm programs on a more acceptable ground.

Finally, demands from farmers and farm organizations provided a good opportunity for the USDA, the AAA and the PPD to push through their programs and strengthen the cooperative relationship they had established in the first three years of the New Deal. Fifty-four days after the Supreme Court's invalidation of the 1933 Act, on February 29, 1936, the USDA submitted a new agricultural policy proposal to Congress. Without any delay, the Congress passed it on

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Three Decades, p.228).

[23] Kile, **The Farm Bureau Through Three Decades**, pp.197-235; Christiana M. Campbell, **The Farm Bureau and the New Deal: A Story of the Making of National Farm Policy: 1933-40**, Urbana: University of Illinois Press, 1962, pp.106-110.

[24] Rosenman, **Public Papers and Addresses of Franklin D. Roosevelt**, v.6, pp.521-31.

[25] Ibid. v.4, p.434.

April 27, 1936 under the title of the Soil Conservation and Domestic Allotment Act of 1936. The act continued the provision of direct payments to farmers complying with the production control programs. It added the soil conservation provisions which would ensure that the resources of soil, water, and forests were maintained unimpaired. These programs would be implemented by the Soil Conservation Service which was established in the USDA in 1935 (by transfer of the earlier Soil Erosion Service from the Department of the Interior). This case shows that the tradition of its long-established research and educational activities of the USDA coordinated all the efforts of its various agencies to integrate soil conservation programs with substantial subsidies to farmers.

3. Strengthening Central Control

Wars and economic crisis demand unusual state capacity to govern and the need to govern sets limits for the representation of interests. The following section examines the efforts made by the federal government to strengthen its control during World War II. Studies of agricultural development in the war period often attribute the decisions made by the USDA either to the political influence of the Farm Bureau or to the inter-agency struggles between Secretary Wickard and those who "maintained a strong intellectual and emotional allegiance to Henry Wallace."[26] Examining the policy development in the war period, it is argued that the "apparent" chaos in agricultural policy making signified the centralization of wartime policy making in the executive. When other policy priorities, such as inflation and price control, became more important, the administration centralized policy making.

Wars and economic crises are stimuli to expand state institutional building and increase the state's legitimate power in regulating and managing the political and economic life of the country. In pursuing public interests which are not immediately related to the interests of a special group but are concerned with more general values, such as the importance of proper procedures for deciding policy priorities or the efficient performance of the national economy as a whole, the state inevitably will have to deal with various pressures for pursuing their narrowly-defined interests.

The pressures can come from organized private interests, the constellation of concerned

[26] Dean Albertson, **Roosevelt's Farmer: Claude R. Wickard in the New Deal**, New York: Columbia University Press, 1961; McConnell, **The Decline of Agrarian Democracy**; Campbell, **The Farm Bureau**; Hooks, "From An Autonomous to a Captured State Agency," p.36.

bureaucratic agencies and politicians representing special interests. One of the differences between these pressures is the one of the concerned bureaucratic agencies. While over the years they generate their distinct interests, they are also part of the government. The nature of the public agency decides that while it maximizes its ability to satisfy its clients, it tries to minimize the adverse forces undermining government control in general. This is the case with agricultural policy making. The administration centralized its control by establishing several agencies which would be able to coordinate war efforts. These agencies pursued policy objectives which were not always consistent with those of farmers or farm organizations or even the USDA. The USDA sought power by expanding its programs and benefits, financial and otherwise, for its clients, while keeping the demands of its clients in line with the objectives pursued by the President by imposing authoritative direction and controls on them.

This section discusses three aspects of the institutional and policy development in the war period to demonstrate how a government agency successfully enlarged its control over its jurisdictions while working together with the executive in securing the welfare of the public in general. One concerns the concentration and centralization of political and economic control in the hands of the President. The other is the expansion of farm programs, and the last one is the success in forcing farm organizations to comply with central control.

3.1

After the War started in Europe, the Roosevelt administration began to prepare at home for war. One of the first steps taken by the administration was to establish the Advisory Commission to the Council of National Defense in May 1940.[27] Chester Davis, former administrator of the AAA, was appointed to the Commission to represent the interests of farmers and agriculture as a whole in war preparation. President Roosevelt neither had the intention nor willingness to ignore this group of people and jeopardize the new-born farm programs. He "rejected a proposal that a food administration be organized to mobilize the resources of

[27] The Council of National Defense was revived in 1940 under the old law of 1916. The Council consisted of six Cabinet members, who worked and were expected to work on the coordination of the whole picture of national defense. The Advisory Commission to the Council consisted no more than seven persons "who [were] supposed to be made up of people with special knowledge in certain very wide field or fields." There were several divisions within the Commission. "The functions of the Divisions of the Advisory Commission to the Council, as of May 1, 1941, were "coordinated through the Office for Emergency Management." (Rosenman, **Public Papers of Presidents: Franklin D. Roosevelt**, 1940, p.243, 699).

agriculture and the food-processing industries for wartime needs"[28] and made his commitment that the USDA would retain control over agricultural production and marketing. Meanwhile, the USDA decided to continue the production control policies with government payments to farmers while the production pace in other industries was accelerating.

The Agricultural Division of the Advisory Commission was established to "collaborate with the Department of Agriculture and other governmental agencies to plan against dislocations to agriculture during the crisis ... to develop new defense products in cooperation with the Bureau of Agricultural Chemistry and Engineering, and to formulate plans for the maintenance of an adequate food supply."[29] A year later, the division was abolished with the creation of the Office of Agricultural Defense Relations in the Office of the Secretary of Agriculture to strengthen the central planning and control in war efforts. This office represented agriculture as a segment of the economy to handle such matters as policy priorities and material and labour supply together with other defense agencies. The office was placed within the Secretary's office to ensure the complete mobilization of all the material and human resources essential to winning the war and also to ensure the cooperation of the affiliated agencies with other federal agencies.

Having realized that the exigencies of war required centralization of administration of certain powers and war programs to a degree unprecedented in peacetime, the administration created the Office of Price Administration (OPA) in April 1941 to "check speculative profiteering and unnecessary price rises, and to facilitate the supply of civilian commodities,"[30] and the Office of Economic Stabilization to formulate and develop a comprehensive national economic policy for the control of civilian purchasing power, prices, rents, wages, salaries, profits, rationing and all related matters. The question of farm and food price support and stabilization was handled by the newly created War Food Administration (WFA) within the USDA, with Secretary Wickard named as Food Administrator.

Soon the WFA took over two existing USDA agencies, the Food Production Administration and Food Distribution Administration, "to assume full responsibility for and control over the Nation's food program,"[31] which included providing guidance and assistance

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[28] Walter W. Wilcox, **The Farmer in the Second World War**, Iowa: The Iowa State College Press, 1947, p.36.

[29] Rosenman, **Public Papers of Presidents: Franklin D. Roosevelt**, 1940, p.699.

[30] Ibid., 1940, p.698.

[31] Ibid., 1942, p.517.

to farmers in producing food and in connection with procurement, processing, storage, transport, and distribution. Yet, the main job of the WFA was interpreted by USDA officials as one "on the farm production front, where it involves assistance to farmers in the determination of desirable crop goals, efforts to see that farmers have the tools they need, encouragement in the use of improved farm practices, and maintenance of adequate price supports."[32] The multiple responsibilities granted to the WFA again formally centralized and concentrated authority of agricultural production and marketing in the USDA and its Secretary became the supreme authority over both the production and distribution of food. He even received powers over rationing through the OPA.[33]

The WFA became the centrepiece of war emergency organizations in the USDA. With broadly delegated authority, the USDA acted as official claimant for farmers and agriculture as a whole in their demand for scarce materials and facilities needed for food production, processing, packaging, storing and distribution. The direct consequences of this practice were, first, the control of the agricultural economy remained in the hands of USDA agencies through a well-organized national planning framework and, second, extensive and close ties between the USDA and farmers were strengthened with the continuation of the farm programs. The BAE focused on information collection and analysis and program planning. The CCC continued to control the procurement and distribution of surplus agricultural commodities. The AAA served as adviser and aide for individual farms. Undoubtedly, these agencies, especially the WFA, were designed to represent one segment of the economy and to be a special pleader for farmers in competition with other sectors regarding material supply, government assistance, and war regulations. Of course, as a war agency, it had to coordinate with other competing agencies in the administration. But this double function placed the USDA in an advantageous but demanding mediating position between farmers and the federal government. It was the advocate of farmers for assistance but also the voice of the government to exhort them to subordinate their interests to those of the nation at war.

3.2

In a decade of the New Deal, the USDA shifted from an institution primarily concerned

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[32] "Final Report of the War Food Administration, 1945," in **Agriculture in the United States**, p.3195.

[33] Harold Kellock, "Food Supply," Editorial Research Reports, v.2, July 17, 1943, pp.39-56.

with research and co-operative activities with farmers to one primarily concerned with planning and regulatory action programs prescribed by government. By the time the war came, the USDA had obtained a great deal of discretionary authority and administrative skill and resources to continue increasing their political activities in defending the interests of farmers. The war emergency provided an additional justification not only for continuing but also expanding farm programs. One of the first measures taken by the USDA was to turn incentive-induced production control to an incentive-induced production increase. This not only made the USDA more popular among farmers but also a more authoritative agency to mobilize support for the newly created farm programs among politicians and the public.

Convinced that war demand would soon affect agricultural production, at the end of 1940 Secretary Wickard announced that the USDA would increase price support for hogs above market level through government purchasing programs.[34] In the following months, the program was expanded to more commodities, such as vegetable oil crops, poultry and eggs, livestock and dairy products.[35] While they allowed the administration successfully to implement its Lend-Lease programs, providing enough food products for the British and the American Red Cross to send abroad, such measures also reduced the pressure from accumulating surpluses of wheat, corn and other grain products for farmers turned surplus food grains into feed grains to raise more cows, cattle, hogs, chickens and dairy products. The USDA justified the use of the economic device, which was created to control and regulate production, for production increase, on the ground of war demand and promoting the general welfare of the country and its allies.

By the end of 1942 farm prices and income had risen above parity and all kinds of production control programs were ineffective even though they were still on the book. The war became the boom builder for farmers who had no cause to complain either about their prices and income or government farm policies, which had offered generous supports continuously through

[34] In December of 1940, hogs were selling at about $6 cwt and in April 1941 the Secretary increase the price support to $9 cwt, one dollar above the market price at the time.

[35] For example, under the 1938 Act loans were to be made on the basic commodities (corn, cotton, wheat, rice and tobacco) at sliding scale rates of between 52 to 75 percent of parity, depending on the amount of surplus. In May 1941, sliding rate scale was abandoned. Fixed loan rate at 85 percent of parity became the basic farm policy as the President signed Public Law No.74. Meanwhile, Wickard announced that the USDA would peg the price of feed corn at 67 cents a bushel and a supported market price for meat, poultry and milk at 75 percent of parity, which was higher than the market price. The decision to peg feed grain prices was made to prevent inflation and raising prices for needed commodities would provide incentives for farmers to increase their production to meet the war demand.

the war. Yet, they were not willing to set a lid on their increasing income through price control. To defend the administration's position on price control and meanwhile to fight on behalf of farmers, the USDA adopted several measures. First, despite the opposition from the major farm organizations, the USDA was determined to maintain its objective to keep farm prices near parity but not to allow them to rise and push up livestock prices under the increased demand of an unfettered market. It kept strong control over the CCC which, according to the law, was allowed to purchase farm products at support levels and sell them on the market to control food prices within the price ceiling set by the OPA. In May 1942, Secretary Wickard also asked Congress to increase funds for the CCC, with which it would be able to sell the CCC stocks in order to roll back food prices for consumers. All this was done with the opposition of farm organizations, especially the Farm Bureau.[36]

Second, the USDA made it clear to politicians and the public that farmers would need enough incentives to produce for the increased demand. The lessons of the 1920s should be learned to prevent another farm depression like the one which had led to the Great Depression. Secretary Wickard made this idea clear to the public:

> The program of buying, or obtaining through loans, some of the vital foods which can be stored, offers still another means of reducing the farmer's risk of turning out price-breaking surpluses ... We are going to take whatever risk there is in producing abundantly. If we do I'm positive that the American people will not let us farmers down.[37]

The message was clear that, as the war progressed, it was not sufficient only to offer farmers adequate payments as incentives for increasing production. It was imperative to offer an abundant guarantee of minimum payments over a period of time that covered the length of the production cycle as well as after the war and during the immediate postwar transition period. In other words, the government would have to take the risk for farmers in their production increases for war-time demands while farmers would need the assistance of government programs to tide them over during the transition. One way to do so, according to USDA experts, was to provide extended price supports after the war ended to ensure farmers at or before the beginning of the

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[36] "Should Congress Approve the New Deal's Food Subsidy Program?" Congressional Digest, November 1943, pp.277-88.

[37] quoted from Sherman E. Johnson, "Adapting Agricultural Programs for War Needs," Journal of Farm Economics, v.24, 1942, p.3.

production season that they would receive a definite price when the product was marketed, and to provide extended commodity loan programs to stabilize marketing, especially at times when normal marketing facilities were not available or were inadequate. President Roosevelt supported the idea, "to place a definite floor under these prices for a period beginning now, continuing through the war, and for as long as necessary after the war ... to avoid the collapse of farm prices that happened after the last war, the farmer must be assured of a fair minimum price during the readjustment period which will follow the great, excessive world food demands which now prevail."[38]

Happy with the USDA's determination to "look out for their [farmers'] interests -- not just by uttering glittering generalities but by specific policies and concrete action"[39] -- Congress accepted the USDA's proposal and adopted the Steagall Amendment immediately in 1943 The Steagall Amendment indicated, without any mistakes, the change of government agricultural policy emphasis, from the depression policy of production curtailment to price guarantees for production increase and additional protection for changes.

This two-way program, emphasizing the concept of adjustment, was not created merely because of the understanding of farmers and the farm situation. More importantly, it was product of the research and planning of the BAE and other agencies within the USDA.[40] The facilities and expertise of the USDA were used for new defense purposes and the field workers of the USDA reached farmers to get information on production, feeding it to the research people back in Washington, and to explain to farmers the system of government price support for production increases in specific commodities.[41] This new use of the field workers of the AAA confirmed

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[38] **Public Papers and Addresses of President Franklin D. Roosevelt**, 1942, p.373.

[39] Ibid. 1940, p.98.

[40] James I. McCany, "Agriculture Goes to War," Public Administration, v.II, no.1, 1942, pp.1-8.

[41] One important development of the close relationship between the USDA and farmers was the establishment of the County Agricultural Conservation Association in 1936. With the invalidation of the 1933 Act, the County Control Associations were abolished. Yet, the practice continued with the establishment of the County Agricultural Conservation Associations (CACA). The CACA was set up "under federal auspices to cooperate in the administration of the AAA programs." (Dale Clark, "The Farmer As Co-Administrator," The Public Opinion Quarterly, July 1939, p.484) The operating expenses of the CACA were paid by its members out of their AAA payments. CACA was an inclusive organization formed by all farmers who participated or declared their intention to participate any of the AAA programs. They elected three farmers to form the county committees. Since the allotment for each commodity to each county was apportioned by the Secretary, the county committees would distribute county acreage allotments equitably among farmers of the county. Their other responsibilities included to approve the soil-building

the leading role of the USDA among farmers and strengthened its direct ties with farmers. These roles were further expanded as the administration implemented a series of reforms to "place the final responsibility in one office" in managing war production, marketing and distribution. Specific responsibilities granted to government agencies require people serving there to have special professional skill and knowledge which usually are not available to people in other agencies. For example, the question about whether, when and to what commodities government assistance and protection to farmers were needed was generally perceived as the area of agricultural economists inside the USDA. They had a more authoritative say in such matters in the administration, which subjected its decisions very often to their professional judgement. At the same time professional judgement was utilized by USDA high officials to rally support from farmers for a broader policy consideration. To do so, the USDA reorganized its field employees in coordinating the war production measures.

The Agricultural Defence Board was created under the chairmanship of the AAA in the summer of 1941. Under the Board, the state and county agents were pulled together into the state and county Defense Boards, functioning not as administrative agencies but as coordinating agencies. This reorganization ensured that USDA field personnel would be responsible not to the citizens of county or state but directly to Washington. This drift toward centralization of power in the USDA also allowed for direct connections between the USDA and farmers. The field workers visited farmers, signed them up to produce needed commodities and helped them increase their production as the war was going on and demand was increasing. During the war, agriculture had to constantly re-gear its farm programs to keep pace with the war demand, and to adopt more advanced technology for even greater wartime production. This was taken on by

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practices for which farmers might earn payments, check on compliance with the provisions of the program, certify a farmer's eligibility for the benefit payments and in general adapt the national program to local conditions (**Public Papers and Addresses of President Roosevelt**, v.7, p.93; Clark, 1939, p.485).

On the state level, there were state committees, formed by members from the state extension services and three to five farmers, carrying out the similar tasks. On the national level, the administration of the AAA programs was handled on the regional basis. They country was divided into six regions. This system bore some resemblance to the legal system in the country. That is, if a farmer was not satisfied with the acreage basis he had been distributed, he could appeal the case to the county or state committees. If farmers in a county disagreed with either the county allotments or certain conservation practices or the rate of payments, the county committee could also appeal the case to the state or the AAA in Washington. This unique mechanism was designed to promote farmer cooperation, encourage active participation in the programs and, at the same time, defend the entire program from being attacked as one of socialist regimentation. The direct consequence of this practice was that farmers as a group were brought into the open and associated with various public agencies in the administrative process.

the USDA and its agencies. As a consequence, by the end of the war, the centralized planning and regulation of agricultural production and marketing were institutionalized to such a degree that officials serving these functions had developed the professional and institutional values which would remain with the USDA for a long time.

3.3

Public officials actively cultivate support from societal groups and in so doing, they may alter not only the balance of capability between them, but also the conception of self- and public interests. Wars and economic crisis often make it easier for public officials to solicit public support. They can, for example, invoke symbols of national unity or social justice or economic equity and, therefore, influence the public and win its support for the desired policies.

In 1933 the heads of the three national farm organizations -- the Grange, the Farmers Union and the Farm Bureau supported the Agricultural Adjustment Act. The challenges from the Supreme Court and other sectors in society in 1936 brought them even closer to the USDA for protection and support. At their respective annual conventions in 1940, the three organizations were in agreement with respect to government support for and regulation of agriculture, supporting the basic principles of national farm programs -- production control through direct government payments to farmers.[42] The war experience provided a much more direct government-farmer relationship. The internal competence of the USDA resulted from the concentration of power promised farmers that their special interests would be protected when being challenged and these interests could only be effectively protected when farm organizations formed a close alliance with the USDA. With ever closer ties between the USDA and farmers, the strong commitment of the President and the USDA's support to presidential decisions, farm organizations in the war period appeared powerless in fighting against price controls.

The war experience showed that the cooperative relationship between the USDA and farm organizations in the 1930s could be nurtured by conscious efforts from USDA officials, sometimes even coerced with tangible or intangible threats. The war created an ideal situation, a situation which in an economic sense was paradoxical -- while production was boosted sky-high, prices remained at the top levels, many of them tending to rise even further. Farmers enjoyed

[42] USDA, BAE, **Comparative Resolutions Affecting Agriculture: adopted by Three Farm Organizations At Their Annual Conventions**, February 1941.

an income which, in exchange for the magnificent performance in production with scarce facilities, gave them a large share of the war boom. Net farm income, for example, in the two-year period from 1940 to 1942, doubled.[43] Politically, war brought in more centralized control in production and distribution of the administration, which was determined to control inflation, while farm organizations remained weak with little support from farmers. The Farm Bureau, Grange, and Farmers Union (especially the first two), for example, joined in a united front opposing the government's decisions, first, to set a price ceiling on agricultural commodities, second, to sell the CCC's stocks to roll back the food prices and, third, to subsidize consumers by using government funding. The authority to make these decisions, however, was concentrated in the newly created agencies, such as the OPA and the Office of Economic Stabilization, which farm organizations were unable to reach.

Meanwhile, farm organizations were weak because of their low membership and the lack of farmers' interest in protesting price controls. Farm organizations in the 1940s had not regained their membership, which had been lost in the previous two decades. The high prices and incomes that individual farmers were receiving had not been seen as a result of the political influence of farm organizations. Both compliant and non-compliant farmers gained from the government price support system and the war demand, and when they collected their payments directly from the USDA, they developed a sense of reliance on the USDA and its farm programs rather than on farm organizations for higher support levels. They perceived their immediate welfare to be connected with not only the decisions taken by the USDA but also the welfare of the USDA itself. Therefore, there was hardly any incentive to be active in participating in concerted actions with their organizations.[44]

In all societies, "it is inevitable that farmers and members of other interest groups press for expression and representation in the governmental policies directly affecting them."[45] There are several ways of handling such demands. One is to respond with repression and oppression until it has accumulated into a revolutionary force. Another is to play old-fashioned log-rolling

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[43] Net farm income in 1940 was $4.5 million and it jumped to $9.9 million in 1942 (in current dollar). (**A Historical Look at Farm Income**, 1990, p.4).

[44] In **The Logic of Collective Action**, Mancur Olson points out that members become active in groups not in pursuit of some collective good -- which would be available to them irrespective of membership -- but because of "selective incentives" of immediate and personal benefits. (Mancur Olson, **The Logic of Collective Action**, Cambridge, Massachusetts: Harvard University Press, 1971).

[45] Clark, 1939, p.483.

or balance-of-power politics. The soundest method for government to ensure successful implementation of policies in the long-run is to channel the pressure and utilize it for the general welfare. Public demand can become a torrent, invading all the public and private area. It can also run through old ditches, trying to find its own channel to the public area. Yet, if formal canals are built for it, it can more easily be regulated, sanctioned and utilized by those who have built the canals. In the last case, there are more questions about institutionalizing pressures and demands than being influenced and lobbied by them. The wartime agricultural politics shows that the USDA had been trying to institutionalize the procedure of bringing the demands under control through quasi-public agencies. On the one hand, the producer-owned and producer-controlled county agricultural conservation associations clearly were established as private, loosely organized bodies. On the other hand, the county committees carried out public and national programs under instructions from the USDA. As a consequence, "these committees cannot accurately be described as centres of resistance, they are rather organs for positive collaboration in the making, interpreting and administering of government policy."[46] The USDA, through such institutionalized functional channels, was able to anticipate problems, better handle many of the intricate problems and to make prompt, necessary adjustments to maintain the basic principles of national agricultural policies.

Conclusion

Contrary to most New Deal institutions, the newly established agricultural policy community not only survived the challenges from the Supreme Court and World War II but expanded and matured. The enduring niche gained by agriculture within the government was more a result of the conscious efforts made by the USDA in defending and promoting this sector than the political influence from either individual farmers or farm organizations. Several reasons may well explain this development. Through the 1930s and 1940s, the USDA had gone through a process of political learning which included recruiting experts sharing similar political and economic values into the USDA, developing a set of policy research, planning, and policy formation networks within the USDA, and institutionalizing an extensive governing network through its field services. The dominant ideas of planning and managing the national agricultural

[46] John D. Lewis, "Democratic Planning in Agriculture," American Political Science Review, v.35, 1941, p.479.

industry, from production to distribution, and ideas that agriculture, as the fundamental industry for a nation's economy and political stability should be protected and promoted with sufficient government intervention, were institutionalized among USDA officials. One important political implication of this is that particular leaders may change in the USDA but the legacy of the values will remain and prevail in policy making and implementation for a long time.

Furthermore, the organizational arrangement within the USDA in the 1930s was developed to take the responsibility for national agricultural research, planning, and policy initiation and implementation. This responsibility was reinforced with the centralized authority it had achieved during the war and the set of stable and continuous working relationship between agencies within the USDA that had developed since the early 1930s. It was also enhanced by a wide-ranging grant of authority for broad scope of policy areas. This is the second reason for the enduring agricultural policy community in the following years.

Finally, a set of interactive relationship between the USDA and farmers legitimized the leadership role of the USDA in this economic sector and for the policy programs as well. "The sources of support existing for decisions in the field tend to remain constant,"[47] because such a direct relationship created a "self-reinforcing positive feedback."[48] There is always conflict, latent or actual, about the proper course of policy and there is always disagreement about what public power should be used for. Becoming, in effect, part of the rules of the game, this set of established working relationship can reward or punish groups, interests, visions, persons and practices. Once a particular set of working relationships is established, it constrains future options for initial choices and inhibits deviant practices.

[47] Helen Ingram, **Water Politics: Continuity and Change**, Albuquerque: University of New Mexico Press, 1990, p.30.

[48] Stephen D. Krasner, "Sovereignty: An Institutional Perspective," in **The Elusive State**, ed. James A. Caporaso, Newbury Park: SAGE Publications, 1989, p.86.

PART III
STALEMATE IN AGRICULTURAL REFORM

CHAPTER FIVE
THE BRANNAN PLAN

American farmers served the country well during World War II and in the immediate postwar period by producing abundant food and fibre for domestic use and international assistance. Agricultural policies in turn served farmers well by providing them with sufficient incentives to expand production without having to worry about a potential price breakdown once the war was over. By the end of the war, there was little doubt that the New Deal farm programs would continue. The question was no longer whether farmers should choose the market or the government but, rather, how much government assistance and intervention there should be and on what terms. The fact that government intervention and support became part of the way of farm life did not mean the end of farm politics. In the late 1940s, there was an ugly battle over the legislative proposal presented to Congress by the Secretary of Agriculture, Charles Brannan. The failure to get the Brannan Plan through Congress was seen by some as the result of farm group protests, especially those of the Farm Bureau. These analysts saw it as an example of interest group politics, which argued that the state was captured by powerful interest groups and lost its ability to enact its desired policies. If this were the case, the most puzzling question of all is why the policies adopted in 1949 were not what the Farm Bureau wanted or fought for. The farm programs proved to be static at the end of the Truman administration -- that is, not only were no major changes achieved, but price supports were kept high and rigid.

This chapter examines the agricultural policy and farm politics development in the late 1940s to show how the constraining forces of the agricultural economic institutions prevented changes and to highlight the connection between factors affecting farm policies and politics on three distinct levels: micro-level choices, the macro-level situation and medium-level procedures. The microeconomic choices that are available to individuals, the domestic and international political and economic environment in which new farm programs had to be developed, and the operating rules of decision making in a policy community all affected farm politics and the development of farm programs at the time.

It is important to note that the behaviour of policy makers and affected groups cannot be reduced to the activity of a rational consumer. Their rationality seems more determined by institutional and/or functional constraints and subject to broader circumstances than by instrumental utilitarianism. Their perceptions, evaluation and selection of preferred policy alternatives are also affected by the historical development of both policies and organizational relationships of the economic setting in which they are situated. In this light, this study of the failure of the Brannan Plan presents a striking variation to the classical pluralist argument. It emphasizes the existing policy programs supported by various groups and government agencies, the ideological beliefs and value system of the broader public, and the rules that facilitate coordination and conflicts among people and groups. These three sets of factors are the focus of this chapter. It shows that the actions taken by the USDA and its secretary, necessary to secure its desired policy options and its predominant position in program planning and policy making, set in motion the failure of the Brannan Plan. That is, to institutionalize a whole set of concentrated and centralized governing capacities, the USDA tried to insulate its planning agencies and reformers and was ultimately thrown into the internal disarray of the agricultural policy community.

This chapter is divided into four sections. The first presents a brief comparison of the legislation enacted in 1948 and 1949 and the policy proposal initiated by Secretary Brannan, known as the Brannan Plan. It is to show that what had started as a plan to save the farmer from bankruptcy in the 1930s became a scheme to raise farmers to their highest living standards in history and keep them there. This development seemed irreversible despite the changes in political and economic circumstances. The following three sections focus on factors on three distinct levels, their connections and their effects on farm politics in the late 1940s. In conclusion, it is argued that the failure of the Brannan Plan to be enacted was more a result of the actions taken by policy makers and the institutional constraints rather than the political influence of interest groups. The episode neither disrupted the farm programs nor changed the farm politics established in the New Deal period. The belief that government intervention in agricultural production and marketing was necessary for the stabilization of farm prices and incomes remained embedded in the farm programs. The same policy instruments which were used for farm relief, recovery and reform in the New Deal were kept in place. The institutional arrangements -- the particular mix of formal organizations, informal rules and practices, and relationships -- still governed farm politics and agricultural policy making at the end of the Truman administration.

1. Development of the Brannan Plan

1.1 Legislative Background of the Brannan Plan

At the time when a new farm bill was to be drafted to replace the Steagall Amendment, which would expire at the end of 1948, there were two major policy alternatives available, both of which maintained the core of the New Deal farm programs -- **parity**. One was a continuation of wartime high, rigid supports at 90% of parity with necessary production controls. This policy choice made its principal appeal to the producers of cotton, tobacco, peanuts and wheat and to poor and small farmers.[1] Representing this varied group of farmers, House Agriculture Committee Chairman, Clifford Hope (R-KS), proposed the continuation of wartime fixed supports at 90% of parity for another two years for most commodities. The other group, which desired both flexible and lower levels of support, included large farmers and corn growers who "feared that corn, or some other feed, would be grown in competition with corn belt products in wheat and cotton areas and in other sections if there were high supports for wheat and corn."[2] Flexible and low price support levels were also desired by livestock, dairy and poultry growers who feared increasing production costs. George Aiken (R-VT), the Senate Agriculture Committee Chairman, sponsored a bill to support the flexible approach which provided for the immediate adoption of a sliding-scale support system ranging from 60% to 90% of parity. With neither side willing to compromise, Congress passed the 1948 agriculture act anyway, primarily for political reasons.[3]

The Agricultural Act of 1948 contained two parts, each of which was diametrically opposed to the other in its approach to price supports. Title I, a stop-gap measure proposed by Hope, continued mandatory price support at 90% of parity for 1949 wheat, corn, rice, peanuts, cotton, and tobacco which would be marketed before June 30, 1950, if producers did not disapprove of marketing quotas. Similar support was provided for hogs, chickens, eggs, and milk through December 31, 1949. The Act permitted the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for

[1] George Aiken, Congressional Record, 1949, p.4033.

[2] Congressional Quarterly, **Congress and Nation**, Washington, D.C.: Congressional Quarterly, Inc., 1965, p.675.

[3] The Republicans, who had dominated Congress for the first time in 15 years, wanted to "pass something that would look good in the record for the election campaign," according President Truman. (M.B. Schnapper, **The Truman Program: Address and Messages by President Harry S. Truman**, Washington, D.C.: Public Affairs Press, 1949, p.106; Susan M. Hartman, **Truman and the 80th Congress**, Columbia: University of Missouri Press, 1971).

support. Title II, proposed by Aiken, provided sliding price supports, ranging from 60 to 90 percent of parity, for basic commodities (with the exception of tobacco at 90% of parity) when quotas were in force, beginning with the 1950 crops.

This compromise bill was intended to offer a high level of price supports for a relatively brief transition period, after which agriculture would move to a flexible support system, which, it was envisioned, would operate to bring supply and demand into approximate balance. This hurried compromise satisfied no one. "At the very time they [Congress] passed it," explained President Truman, "they were explaining that next year it could be amended or repealed."[4] This was the legislative background for the upcoming political debate on the Brannan Plan in 1949.

1.2 The Brannan Plan

As soon as the 81st Congress convened, two congressional agriculture committee chairmen, Senator Elmer Thomas (D-OK) and representative Harold Cooley (D-NC), asked the Secretary of Agriculture, Charles Brannan, to prepare a new legislative proposal for the peace-time farm programs. Re-opening the subject of price supports was almost guaranteed by the nature of House and Senate differences over the 1948 farm program. It also provided an opportunity for the new Secretary to formulate a policy program which would be consistent with his ideological beliefs.

After organizing and attending seminars for three months,[5] Secretary Brannan developed a policy blueprint and presented it to President Truman, who approved it. The proposal, presented to a joint session of the Senate and House Agriculture Committees on April 7, 1949, became known as the Brannan Plan. It was "one of the most controversial proposals ever made in the field of agricultural legislation."[6] Emphasizing income stability rather than parity prices

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[4] Schnapper, **The Truman Program**, p.106.

[5] After obtaining the job from the agriculture committee chairmen, Secretary Brannan organized a series of seminars with USDA officials to devise an alternative to the Hope-Aiken bill which was scheduled to become effective in 1950. A wide-open discussion was held every Monday evening from 7:00 to 9:00 o'clock, chaired by O.V. Wells. While problems were laid off, alternative solutions were discussed in these seminars, no efforts were made either to reach a consensus of thinking or to make even tentative decisions. The seminars continued for more than two months. (see Reo M. Christenson, **The Brannan Plan: Farm Politics and Policy**, Ann Arbor: The University of Michigan Press, 1959; Allen J. Matusow, **Farm Policies and Politics in the Truman Years**, Cambridge, Mass.: Harvard University Press, 1967, Chapter 9).

[6] Congressional Record, 1949, p.A-5917.

and abundance rather than scarcity, the Plan proposed to change the price-support programs to production payments or income supports. According to the plan, the farmer would sell a crop in a competitive market for whatever it might bring. The consumer would buy it at the same low price plus the additional costs of distribution and handling. The government would then establish a farm income standard as a basis for computing farm price supports and give the farmer a check for the difference between what he received from market and 100% of parity price for the crop.[7]

In addition, the variety of commodities eligible for support programs would be enlarged to include some perishable ones, such as milk, chickens, and meat animals. Support for these priority commodities at 100% of the support price was recommended.[8] The Plan also provided that farmers would be eligible for price support only when they complied with acreage restrictions and other limitations on output which might be established. Nor would they be eligible if they failed to carry out certain soil conservation practices. For products on which quotas for individual producers were not established, large farms would receive supports for only a part of their production. This meant that no farm would be eligible for support on more than 1,800 production units, or for cash marketing in excess of $25,000.[9]

1.3 Agricultural Act of 1949

From April to October 1949, various bills were introduced in Congress to replace the 1948 farm act, either as a modification of, alternative or compromise to the Brannan Plan. The first administration bills, embodying the Brannan proposals, were introduced on May 18 by

[7] This standard would be established on the basis of actual prices, which meant the basis of support would be the average purchasing power of farmers over the first 10 years of the last 12 years. For 1950, this would mean the 10 years from 1938 to 1948, which were the wartime years and early post-war ones. (For details of the Brannan Plan, see "Statement of Hon. Charles F. Brannan, Secretary of Agriculture," in **General Farm Program**, hearings before House Agriculture Committee, 81st Cong., 1st Sess., Part 2, 1949, pp.137-156).

[8] For products which could be stored, such as wheat, corn, cotton, farmers would sell their products to the government if market prices did not reach the support level. The government would hold the products in storage, in much the same way as under the existing program. For perishable products, such as milk, meats and eggs, farmers would be supported by direct "production payments." This meant that farmers would sell their products in the market place, and if market prices fell below the support level, they would receive a government check for the difference.

[9] The unit of production was defined as 10 bushels of corn or the cash equivalent in other crops -- such as 10 bushels of corn equalling 346 pounds of milk, or 86 pounds of cattle, or 7.77 bushels of wheat. ("Statement of Hon. Charles F. Brannan, Secretary of Agriculture").

Senator Thomas (D-OK) and Representative Cooley (D-NC). Their bills were identical except that the House bill did not have a provision to restrict support payments to farmers producing crops with a value in excess of $25,000.

As opposition was developing in both houses, Secretary Brannan on June 17 asked Congress to allow a "trial run" of his plan. Representative Stephen Pace (D-GA) introduced HR 345 (the Pace bill) which would permit the Secretary to put his scheme of production payments into effect on any three commodities that he might choose, subject to certain conditions. Despite omitting controls and restrictions on production and payments which were controversial in the Brannan Plan, formidable opposition to the trial run developed in the House. Subsequently, HR 345 was replaced by a floor amendment proposed by Albert Gore (D-TN). The amendment proposed to continue price support at 90% of parity. The Brannan Plan died in the House when the Gore amendment was passed.

In the Senate, Clinton Anderson introduced a bill which would continue the flexible support mechanism of the Aiken provision with maximum support set at 90% and minimum at 75% of parity for corn, wheat, rice and, at the discretion of the secretary, storable non-basic crops. The Senate Agriculture Committee endorsed the Anderson bill and reported it out as a substitute for the earlier House bill. An amendment to continue indefinitely 90% of parity supports was rejected and subsequently the Senate accepted the Anderson bill. This was the end of the Brannan Plan in the Senate. Since it was quite obvious by this time that neither supporters for high price supports nor supporters for flexible ones were ready to accept a radical change in farm programs, the administration decided not to pursue the Brannan Plan in the 1949 Senate session.

On October 31, 1949, after a stalemate similar to the 1948 one, the 81st Congress adopted the Agricultural Act of 1949, which was a compromise of the Gore and Anderson bills. The Act was clearly a victory for supporters of high and fixed price supports. It provided a continuation of price support for another year for basic commodities at 90% of parity for 1950 crops and between 80% to 90% for 1951 crops if acreage allotments or marketing quotas were in effect. An exception was made for tobacco. For the 1952 and succeeding crop years, cooperating producers of basic commodities (if they had not rejected marketing quotas) were to receive support prices at levels varying from 75% to 90% of parity depending upon the supply. Moreover, there was price support for non-basic commodities at any levels up to 90% of parity, depending upon the availability of funds and factors such as the perishability of the commodity and the ability and willingness of producers to keep supplies in line with demand. The price of any agricultural commodity could be supported at a level higher than 90% of parity if the Secretary determined, after holding a public hearing, that a higher price support level was necessary to prevent a shortage of a commodity essential to national security.

The 1949 farm act was important in the sense that it was formulated as "permanent" legislation. In the following decades when existing farm legislation was subject to renewal or extension, if no actions were taken, then the 1949 act was the one which would become effective instead.

This descriptive section has shown that the Brannan Plan in substantive matters challenged the special position of basic commodities in obtaining government support; it challenged the existing farm price support programs which little benefitted agriculture's have-nots (for they had little to sell); and it also challenged them for excluding consumer interests. Yet, it failed to pass Congress. Instead, the 1949 farm act continued 90% of parity price supports for basic commodities for another year. This shows among other things that, short of a crisis, radical changes of farm programs are extremely difficult.

2. Economic Interests and Institutional Constraints

Economic interests generated from and conferred by the previous policies and perceived by the affected groups are the first factor to consider in this analysis. The microeconomic choices available to individuals are structured by an economic institution, and policies are manifestations of institutional arrangements defining individual and group choice sets, guiding and sanctioning their behaviour and fostering their expectations of future government policies. Public policies are not neutral. Rather they favour some groups and individuals but not others and, at times, aid some to the detriment of others. Policies which are associated with the distribution of benefits and costs are enforced by the organizational arrangements that protect old turf. Thus, changes, and perceptions of changes, in policies imply changes in, perhaps threaten, opportunities, constraints and power configurations for individuals and groups. One of the costs of changing the existing policy programs is the uncertainty about the outcomes and consequences the new policies will produce. Uncertainty created by competing policy proposals over new institutional arrangements, thus, inhibits continuous institutional change. This section emphasizes the limitation and constraints of the existing policy programs, which generate expectations about gains and losses for new policy programs and the perceptions which shape the attitude of participants in the process of institutional change.

Agriculture is a complicated and diverse industry with farmers having many competing interests as some commodity growers are the consumers of other commodities. For example, dairy farmers in the Northeast are often the consumers of corn growers in the Midwest. Even the same commodity growers may compete for low costs, efficiency or better markets because of their different geographic locations. One example is that the Western cotton growers compete with those in the Southeast with respect to growing larger acreage at lower prices. This suggests that in the process of writing their entangled interests and costs into agricultural legislation, these conflicts must maintain a balance by building political coalitions. "The magnitude and distribution of material gains and losses through a policy decision determines the level and aggregation of political mobilization in conflicting and coalescing groups."[10]

The agricultural programs implemented since the New Deal not only reduced economic risks and uncertainties for farmers in general, they also had fostered some special interests and raised farmers' expectations for the amount of government price supports. Those who had benefited from the programs most became the most active defenders of the farm programs and those who were not included in the programs wanted a share of the government subsidies. Any attempt to change the farm programs which allocated benefits and gains to some and prescribed losses and disadvantages for others would mean uncertainties for the affected groups and, thus, upset and alter the established political coalitions. The issue of who would benefit and who would pay the cost for the change started the debate on the Brannan Plan and widened further the rifts between farm organizations. In the Brannan Plan, a number of conflicting interests were concerned -- large commercial farmers versus family farmers, basic commodity growers versus non-basic ones, business versus labour, and farmers versus consumers. Political coalitions were built around these conflicting interests and affected both policy making processes and policy outcomes.

The first group of conflicting interests involved was that of basic and non-basic commodities. Since 1933, basic commodities -- wheat, cotton, rice, corn and tobacco -- had

[10] Herbert Kitschelt, "Four Theories of Public Policy Making and Fast Breeder Reactor Development," International Organization, v.40, 1986, p.71.

enjoyed government price supports.[11] To protect the traditional basic commodity producers (especially those of wheat, cotton, tobacco and corn), the Plan proposed that the government, by purchase or by making loans to producers to enable them to store their crops, hold enough of these crops off the market to maintain the guaranteed price. Having realized that this might not solve the problem of potential accumulation of surpluses of these commodities, the Plan included a provision to encourage farmers to shift from growing grain to livestock or other perishable commodities. Secretary Brannan proposed production payments available for perishable commodity producers -- milk, eggs, chickens and meat animals (hog, beef, cattle and lambs) -- which together with the basic commodities accounted for approximately 70 percent of cash farm receipts.[12] The central issues around this provision were the effect of the new programs on the current program producers and the funding allocated by Congress each year for farm price supports.

Basic commodity growers viewed government price support programs as a privilege as well as a zero-sum game. An inclusion of additional commodities into the support programs was seen as a reduction in their benefits, given the limited funds allocated each year by Congress.[13] Therefore, their privileged position would be toppled. For cattle, poultry and hog growers, getting government price supports meant more competition and lower prices. This was because when cattle, poultry and hog growers were asked to adjust the price of their products to market demand with government compensation for the difference at 100% of parity, other commodity growers would be encouraged to shift their production to these products in pursuit of high supports. As a consequence the price of the products would be driven down. This attempt to change the structure of distribution of government supports met natural resistance from the Farm Bureau, representing Southern cotton plantation owners and Midwestern grain producers and the Grange representing Northeastern dairy growers. Hog growers in Indiana, cattle raisers in the Northeast, the American National Livestock Association and the Texas and Southern Cattle

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[11] Among these commodities, tobacco were especially favoured. Other basic commodities were supported at 90% of parity while tobacco at 92.5% as long as its producers complied with acreage controls.

[12] Knox T. Hutchinson, "Price Supports for Perishables: Present Legislation vs. Brannan Plan," Vital Speeches of the Day, v.16, November 1, 1949, pp.60-63.

[13] The point is that the issue was perceived as a zero-sum game. In reality, government funding for farm supports has been expanding all through the years.

Raisers' Association all opposed the Plan.[14]

For other proposed commodities, the question was whether there would be enough funding available to compensate for the low prices at the market. The Plan divided commodities into two categories -- those considered as the most important agricultural commodities, i.e. the traditional basic commodities plus whole milk, eggs, chicken, hogs, beef cattle and lambs, and the rest of the supported commodities. The first category was to enjoy "the full support level (100 percent) and have the first priority from available support funds." The second category "would be supported in line with or in relation to the full support level, **depending upon the funds available** [emphasis added] by Congress."[15] This provision made clear that the second category of commodities would be provided with protection if, and only if, the appropriations provided by Congress were adequate. While farmers were asked to sell their products on the open market at the prices determined by market forces, which potentially could mean lower commodity prices, it was uncertain whether enough support funds would be available each year. Furthermore, by proposing the income supports to replace the price supports in this way, Secretary Brannan was changing the nature of farm programs. Under the existing farm programs, the price was guaranteed in the market and the money went to the farmer through accustomed channels. There were no overtones of a hand-out. According to the Plan, the support money would come from an appropriation every year. "Farm income would become a political issue," argued the opponents of the Plan. "Every year money would have to be voted to pay the subsidies and, in order to protect their income, farmers would have to vote for those who promised bigger and better subsidies."[16] A combination of the uncertainty of funding, uncertainty as to the effects of the program, and the potential vulnerability of support money to political debate, were the primary reasons many farmers were sceptical of the Plan. These uncertainties even frightened those who supported the Plan's principles and 100% of parity support levels.

Another group of conflicting interests was that between consumers and farmers. The Plan proposed that direct payments be made to farmers when market prices were allowed to fall to the level necessary to sell farm products and, as a consequence, consumers would pay low market prices for food. This was very much welcomed by both consumers and labour organizations.

[14] Congressional Record, 1949, p.A-3647, p.A-4613, p.9955.

[15] Charles Brannan, statement in Congressional Record, 1949, p.A-3276.

[16] Alberta S. Gross, master of the National Grange, address at Sacramenta, California, 1949, in Robert Taylor, "Food Price Subsidies," Editorial Research Report, v.1, no.7, February 21, 1951, p.134.

Consumer Report, an official organ of the Consumers Union of the United States, Inc., published articles, endorsing the Plan. So did the Machinist, an official magazine of the National Machinists Union, and the Trainman News, the weekly publication of the Brotherhood of Railway Trainman.[17] In opposition to the coalition of the consumer groups and labour organizations, farm organizations were joined by the business community to oppose the provision. They criticized the Plan as being against "American principles ... that the people should support the Government." They also argued that Brannan was "advocating a socialistic theory which would have the United States Treasury pay the farmer for the food the American people eat."[18] This was also interpreted by farm politicians and farm groups as a subsidization of consumer food prices charged to the farm bill. Two important issues were involved here. First, it was associated with a broader postwar debate -- whether the New Deal welfare programs should be encouraged and continued after the crisis was over. The Plan was seen as another effort by the Truman administration to enlarge the welfare programs to include farmers by providing them with direct payments and low-income families by offering them low food prices. It was argued that when farm prices fell after adjusting to market forces and without government support, so would food prices. And the consumer would naturally benefit. The second issue was who should pay for such programs. It was argued that in general taxpayers would pay for such a grant project and in particular the money farmers would receive as direct payments would come from the Treasury and, thus, farmers would bear the brunt of financing the government dole. To the farm politicians this was subsidizing "the food bill of all the American people and charg[ing] the cost up to a farm support program."[19] These people, believing they were the defenders of farm interests, argued that it would be intolerable "to see the farm programs charged with the cost of the consumer subsidies, as though they were devices by which the farmer gouged the consumer."[20]

Secondly, if food prices were allowed to drop to the market level, everyone including business, labour, the rich, and the poor, would benefit from the lower food prices. It was argued, however, the incidence of gain and loss would be uneven since the greatest benefit would accrue to the low wage earner who paid the lowest tax and spent the largest percentage of income on

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[17] Congressional Record, 1949, p.A-5917, A-4023.

[18] Reginald Jones, from the United Farmers of America, during the July, 1949 hearings, in Congressional Digest, v.29, no.3, March 1950, p.93.

[19] Senator George Aiken, in Congressional Record, 1949, p.A-6031.

[20] Senator Anderson's statement in Taylor, "Food Price Subsidies," p.134.

food, while losses would be the greatest for higher income taxpayers. This issue triggered opposition from the business community which formed an alliance with the Farm Bureau in attacking the Plan. They argued that this was another form of income subsidization and criticized the provision for "further socializing not property but income," opening "far-reaching avenues for the future redistribution of income and greater equalization," and displacing "the free market as the guide to our economic activities with a system of Administrative directives, which appear destined to end in an authoritarian system on the ground that the free market is too harsh and ruthless and is not necessary any more."[21] Traditional conflicts between the business and labour were introduced into the farm policy debate. This not only complicated the debate but also unbalanced the power relationships between the proponents and opponents of the Plan.

Many farm organizations, including the Farm Bureau, had a history of opposing government measures which established a ceiling for farm prices and provided food subsidies. As Rexford G. Tugwell noted, "least of all did they [farmers] want the consumers of their goods to be subsidized at the cost of an unbalanced national budget."[22] During the War, the Farm Bureau was "unalterably opposed to the use of subsidies in lieu of fair prices in the market place,"[23] as its president, Edward O'Neal admitted. The scenario was repeated in 1949 when the Farm Bureau opposed the Brannan Plan, accusing it of having "introduced a cheap food philosophy" and which sought "to establish the principle that taxpayers should pay a considerable portion of the grocery bill of consumers."[24]

Since the first national agricultural program was launched in 1933, consumers had for years supported a costly agricultural price support program which was intended only to stabilize farm prices and incomes. As consumers and taxpayers rolled into one, they had paid twice for agricultural products with subsidized prices in the market and government subsidies paid for with taxes. However, they had not protested because of the concentrated benefits and diffuse costs of the farm programs, a general recognition of the importance of agriculture in the national

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[21] Emerson P. Schmidt, editor of Economic Research, Chamber of Commerce, "Socialism T[illegible] American Pattern: Welfare State Equalization of Income," Vital Speech of the Day, v.15, no.24, October 1, 1949, pp.759-763; National Association of Manufacturers, Economic Division, **An Analysis of the Brannan Plan**, Series No.17, October, 1949, p.12 (NAL); Congressional Record, 1949, p.5836.

[22] Tugwell, "A Planner's View of Agriculture's Future," p.34.

[23] Congressional Record, 1942, pp.A-2995-6; 1943, pp.284-86.

[24] Kline, in Congressional Record, 1949, p.A-3647.

economy, and gratitude to those who had fed and clothed Americans and their allies during the war. Nevertheless, farm spokesmen fought fiercely against the idea of protecting consumer interests with farm programs. There was no comparison between the political influence of farm organizations and consumer groups, for the latter could hardly be seen as an independent political force at the time and had no government support in either the executive or legislature.

The last group of conflicting interests involved in the Brannan Plan was between large commercial farmers and family farms. Changing the price support to income support for perishable commodity growers -- that is, to let prices find their own levels and make up the difference between what the farmers received from the market and their guarantee with a treasury check -- meant that a supported price would be enjoyed by all, large farmers as well as small.[25] Limiting the production payments to producers with annual incomes less than $25,000 meant that 2% of the farm population who had been beneficiaries of government price support programs would be excluded from collecting production payments. According to Secretary Brannan, this provision was designed to retain family farms and prevent large corporation farms from being able to "grow fat" on government farm programs. It was not intended to redistribute farm income, as Brannan argued. Yet, it was interpreted as "equalitarian in orientation." [26] The issue congregated a political coalition of opposition, which included the Farm Bureau (its president Allan B. Kline, being one of few whose special position was threatened by the change, led the protests), Southern cotton and sugar planters, Midwestern and Northern cattle growers and dairy producers, and Western ranchers, mainly members of the Farm Bureau and the National Grange. The opponents "saw a threat to the plantation operations to which they are so firmly wedded." They criticised the provision for "penalizing efficiency," "hamstring[ing] the cattle feeders and others," and restricting competitive opportunities in agriculture.[27]

The USDA had for decades used its highly trained specialists and elaborated technology to promote economic efficiency. Since the 1930s, the AAA had been housed inside the USDA with an entrenched institutional bias favouring large commercial farmers who were empowered with the increasing supports and protection, while the rural have-nots were encouraged to leave

[25] John K. Galbraith, "A Vote in Favour," Reporter, v.1, July 19, 1949, pp.14-16.

[26] McConnell, **The Decline of Agrarian Democracy**, p.143.

[27] A.G. Mezerik, "The Brannan Plan," New Republic, v.121, November 28, 1949, p.12; Allan B. Kline, statement before Senate Agriculture Committee, June 14, 1949, p.19 (NAL); Congressional Record, p. A-3647.

farming. While the protection of family farms was used as a bromide to justify the existence of farm programs, large efficient farms were supported by tangible benefits. This was one of the consistent policies of the USDA. Brannan's efforts to protect family farms, especially those of agricultural have-nots, met serious resistance from large farmers and the Farm Bureau. The issue, therefore, was: "When the farm population is divided into 'big' farmers and 'little' farmers, the basis exists for dispute between these two great groups about the nature of governmental agricultural policy, which can favour one or the other class but can hardly favour both classes."[28] By proposing a change in the beneficiaries of government subsidies, Secretary Brannan took a position on the side of the underdogs in the agriculture community and alienated many large commercial farmers who were both politically and economically important and powerful.

The New Deal farm programs were created at a time when farmers were economically disadvantaged and their protection was the first priority of the government. As time passed these programs became a part of the institutional structure, created a specialized clientele relationship between the farm sector and government and generated an expectation on the part of farmers as to what they thought they should obtain from the government. "For such client groups, the rights and interests linked to the statuses created by public policies tended to become more important for their welfare, and for their political behaviour, than their traditional ties to social class, religions, or geographical regions."[29] Changes policy programs would mean hanges in the legitimate interests and reallocation of economic opportunities.

An effort to redistribute economic opportunity often means uncertainties for both those who stand to lose and those who desire to gain. This analysis suggests that those who stand to lose from the change to new policies will often not give in easily. Their resistance is strengthened when the demand for change is not strong because the gain of the change is not so promising. For the challengers of the existing economic institutions to win, they must have faith that the new policies will be able to deal with the problems that the old ones have failed to do so and that their gains will be sufficient to cover the costs of pursuing the change. Yet, the complexity and uncertainty of making changes widen the gap between the desire of and the faith in pursuing

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[28] V.O. Key, **Politics, Parties and Pressure Groups**, 3rd ed., (New York: Thomas Y. Crowell Company, 1953), p.29.

[29] James G. March & Johan P. Olsen, **Rediscovering Institutions: The Organizational Basis of Politics**, (New York: The Free Press, 1989), p.165.

changes. In the late 1940s, for example, there was the demand for a permanent peacetime farm program which would allow abundant production instead of scarcity. Yet, the economic situation at the time was not too bad for either farmers or consumers, for either basic or perishable producers, or for either business or labour. The New Deal programs seemed to be working and effective and farmers enjoyed stability and upward movement of their prices and incomes, thanks to export demand. Consumers and labour liked to see lower food prices which the Plan promised to deliver, but no one was sure if they would result. This uncertainty was aggravated by the uncertainty of the cost of the programs, which the consumer, as a taxpayer had to pay.[30] The inability accurately to predict the costs of the new programs of course did not warrant the efforts to "cast [the Plan] bodily to the dogs."[31] These uncertainties no doubt further affected the power relationship of the proponents and opponents of the Plan. Uncertainty is one of the highest costs for a transition of economic institutions. The Farm Bureau made this point bluntly clear in its annual resolution. "We maintain that it is unreasonable to stake the welfare of agriculture upon such a hazardous possibility."[32] This statement reflected the feelings not only of the members of the Farm Bureau about the fate of the farm programs but also of those concerned about the taxes they would have to pay for the programs which promised something for everybody. The uncertainty of pursuing the changes advocated by Secretary Brannan was intensified with farmers' confusion, misapprehension and misunderstanding of the Plan.[33]

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[30] Secretary Brannan was never able to provide an accurate cost of the programs he had designed. When asked about the potential costs, he said, "A program that will meet the test I have outlined will cost money ... We may not be able to set up a balance sheet in terms of dollars and balance it every year." Later when he was further pushed to estimate the cost, he admitted that he did not know because the program embraced all types of agriculture, with many of which the USDA had no previous experience. (Charles F. Brannan, statement before the Joint Session of the Senate and House Agriculture Committee, April 7, 1949) Other USDA officials offered estimates ranging from $5 to 20 billion. University of Illinois estimated that "hog supports alone might cost $700 million annually; and the Farm Bureau estimated that cost of milk program might amount to $2.5 billion annually. ("New Farm Program," The Commonweal, v.50, no.2, April 22, 1949, p.29) Leon Tedd, Secretary of the Northeastern Poultry Council estimated that the cost of supporting eggs would range from $118 million to $197 million annually.

[31] John D. Black, statement in Congressional Record, 1949, p.A-2466.

[32] "The Story of Subsidized Agriculture," American Affairs, v.12, April 1950, p.103.

[33] Majority farmer did not understand the Plan and became even more confused as the debate went on. Senator Hurbert Humphrey (D-MN) provided Congress with a Minnesota poll on the Plan, showing that more than half of the population, aged 21 or older, had never heard about the Plan and among those who had heard of or read the Plan, there were more people who had not made up their mind than those who were opposed to it (Congressional Record, 1949, p.9857, 14316). The Gallup poll showed that only 73 percent of the people interviewed either did not follow or understand the debate. (**Gallup Poll: Public**

This analysis emphasizes that individual "rationality" is contextual and under conditions of complexity and uncertainty, the gap between calculated and perfect rationality can be substantial.[34] That is, because the perception of the problem at issue, the evaluation of policy alternatives, and the selection of policy options are all structured by the existing economic institutions which allocate economic benefits and costs in favour of current beneficiaries, the commitment of newly articulated interests to share part of the existing pie is quite weak. This is the case with the Brannan Plan. Support for the Plan by consumers and labour was far surpassed by the resistance from the current beneficiaries of existing programs. This analysis differs from pluralist explanations because it, first, emphasizes the effects of the existing economic institution and, second, shows the inability of Brannan to reduce the uncertainties for potential winners and losers.

3. Ideas and Social Beliefs

The macro-level factor which can help us understand the Brannan Plan and its failure was the changes in the international and domestic political and economic situation. The international and domestic political situations are usually viewed as exogenous variables. Yet changes in these situations directly influence people's perceptions and evaluation of proposed policy changes, their selection of different policy alternatives and alliance propensities. A government program is vitally affected by the reactions and attitudes of the people concerned. Such attitudes and reactions may have as much to do with the total environment in which the codes of values, priorities and concepts of reasonableness are formed as tangible factors of soil, climate and economic circumstances. Thus, agricultural policy proposals cannot depart too radically from established and prevailing political thought patterns. Changes in socio-economic conditions are concrete as well as rhetorical. They are concrete because people can see the changes, for example, the Cold War, postwar inflation and then deflation, reduced farm prices and income, etc. They are rhetorical because changes lead to a revamping of people's political and economic beliefs. As a consequence, conflicts occur over economic and communal interests as well as over political ideas.

Opinion, New York: Random House, 1972, p.889).

[34] Oliver E. Williamson, **Markets and Hierarchies, Analysis and Antitrust Implications: A Study in the Economics of Internal Organization**, New York: Free Press, 1975, pp.22-23.

Beliefs and ideas, "while affected by interests, [are] not simply determined by them."[35] Instead, they are products of changes in the political and economic environment and affect interpretations of interests. While ideas and beliefs, especially changes in public opinion and their perception of problems and policies to deal with the problems, are sources for change and have important policy ramifications,[36] they may also prevent changes by producing conflicts in the policy making process, especially when they are manipulated to bias certain options. This section argues that changes in the international and domestic situations not only affected the preferences and choices of policy makers and the public but also limited policy alternatives and constrained the selection of policy options.

As shown in the previous chapter, the primary concern of the New Deal was the restoration of economic prosperity. Its principal programs were directed towards solving immediate and pressing economic problems through governmental actions. The need to deal with economic problems meant that the emphasis was on how to use governmental power instead of how to break it up. Governmental interventionism and even collectivism rather than traditional individualism were the dominant themes of the time. State involvement in mitigating the social effects of economic fluctuations was gradually accepted and active state participation gained increased legitimacy during the Second World War. As the economic situation improved and the international and domestic political environment changed in the late 1940s, some people started questioning whether active state intervention in economic affairs was needed for peacetime economic growth. Meanwhile, a small group of policy makers wanted to continue the efforts of centralizing national planning and expanding government intervention and assistance to ensure social and economic justice and promote the welfare of all citizens. Conflicts occurred between those who desired and those who were sceptical about a continuation of heavy government involvement in economic life. The balance between the two tilted when the former was constantly associated with "socialism" and "communism," which were seen as the most dangerous threat. This power scale was further tilted against the Plan by those who did not have personal economic interests involved but were willing to take a political stand in the debate because of their political

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[35] John S. Odell, **U.S. International Monetary Policy: Markets, Power, and Ideas as Sources of Change**, Princeton: Princeton University Press, 1982, p.58.

[36] Ibid; Goldstein, "Ideas, Institutions and American Trade Policy;" Anthony King, "Ideas, Institutions and the Policies of Governments: A Comparative Analysis: PartI and II," British Journal of Political Science, v.3, 1973, pp.291-313, 409-423; James Q. Wilson, **Political Organization**, New York: Basic Books, Inc. 1973, Chapter 16, "Organization and Public Policy," pp.327-346.

orientations and those who were in favour of the substance of the Plan but did not want to be labelled as "socialists." Moreover, once agricultural policy became a captive to ideological or political conflicts that had little to do with the particular policy, the whole debate became vulnerable to the political winds of the public. As a consequence, the ability to insulate it within the agricultural policy community was seriously weakened and so were the prospects of getting the Plan enacted. The rest of this section analyzes the ideological chasm between the policy makers and the public in this changed political environment.

3.1 Ideological Beliefs of the Policy Makers

To analyze and understand policy making, it is necessary to be familiar with the belief system of individuals who enact and enforce laws. Their beliefs and ideology guide their policy initiatives and policy selection, are pursued in the process of policy making and are used to justify the choices made.

Charles F. Brannan became Secretary of Agriculture on June 2, 1948 after his predecessor, Clinton P. Anderson, resigned to run for a New Mexico Senate seat. Having worked for the USDA since 1935, Brannan was Assistant Secretary supervising the BAE's postwar planning, when he was appointed to succeed Anderson. His early experience as an attorney for the Resettlement Administration and the Farm Security Administration of the USDA for ten years, both of which were intended to lift the status of agriculture's disadvantaged, no doubt influenced his view of farmers and farm programs. "The plight and suffering of these desperate farmers and their families made a profound impression on Brannan." "When he thinks of farmers, it is of men like them he thinks and their cause he champions."[37] His beliefs affected his choice of associates as well as policy recommendations. Selection of Brannan as Secretary of Agriculture was a political move for President Truman, who wanted to increase farm support before the 1948 presidential election as well as to strengthen the reformers within the USDA who had been under constant attack from conservatives since the beginning of the War.[38] This selection, in

[37] Robert S. Allen and William V. Shannon, **The Truman Merry-Go-Round**, New York: The Vanguard Press, 1950, p.116.

[38] Brannan realized from the very beginning that he might be "a guy keeping a chair warm ... for four or five months until a good Republican could move in." ("Farmers: Plague of Plenty," Time, June 19, 1950, p.24) Brannan campaigned hard for President Truman in farm states. "He tridently stumped the Midwest and kept assuring the President that he could carry the region." (Allen and Shannon, **The Truman Merry-Go-Round**, p.116).

retrospect, served as a prelude for the political battle over the Brannan Plan.

In 1948, Harry Truman narrowly defeated Governor Thomas Dewey of New York for the presidency, and the Democrats won back both houses of Congress.[39] As a consequence, a new generation of bright young Democrats entered the national stage.[40] Particularly important, the Democrats' victory in the elections was widely believed to be the result of farmers' swing from Dewey to Truman in the last weeks of the campaign.[41] It was argued that farmers felt that Democratic policies had contributed to the recent farm prosperity and they feared that the Republicans would discontinue the agricultural policies of the New Deal. They were apprehensive over the future as prices had dropped after the 1948 act was adopted. Truman's victory in the 1948 presidential election was interpreted by Brannan as a demand for a closer farmer/labour coalition and a demand for an expansion of national planning and regulation. To do so, Brannan was believed to establish "lines of communication between the farmers and the liberal-labour forces" by promising farmers higher farm prices, consumers lower food costs, and labour higher wages in his farm policy proposal.[42]

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[39] Truman won just over 24 million popular votes to Dewey's nearly 22 million, with Strom Thurmond and Henry Wallace (representing the States Rights Party and the Progressive Party), each winning 1.1 million. In the electoral college, Truman's margin was 303-189, with 39 votes going to Thurmond.

In the 1948 election, Republicans had a net loss of 75 seats in the House, while the Democrats had a net gain of 76 seats. No incumbent Democrats were defeated. Among 118 new House members, there were 103 Democrats and 15 Republicans. In the Senate, there were 9 more Democrats than in the previous congress. Among 18 new members in the Senate, 14 were Democrats and 4 were Republicans. Changes resulting from the 1948 elections gave Democrats a controlling ratio on the Senate Agriculture Committee of 8-5, compared with 7-6 the previous year. As a consequence, cotton, wheat, corn and tobacco issues received greater emphasis. In the House Agriculture Committee, Democrats enjoyed a ratio of 17-10, compared with a 16-11 ratio in the 80th Congress. Cotton producers had more representation in this group, and wheat producers less. No wholly urban district had representatives on the Committee (Congressional Quarterly Almanac, 1949, p.30).

[40] They included governors Chester Bowles (Connecticut), G. Mennen Williams (Michigan), and Adlai E. Stevenson (Illinois) and Senate freshmen Paul Douglas (Illinois), Hubert Humphrey (Minnesota), Lyndon Johnson (Texas), and Estes Kefauver (Tennessee).

[41] Robert H. Estabrook, "The Bogey in the Brannan Plan," The Antioch Review, v.10, 1950, pp.73-83; Lauren Soth, "Economics for the Farmer," Journal of Farm Economics, v.31, 1949, pp.880-87; "Rural Vote's Decisive Role," U.S. News and World Report, November 19, 1948, p.19+; Thomas G. Ryan, "Farm Prices and the Farm Vote in 1948," Agricultural History, v.54, 1980, pp.387-401; Charles M. Hardin, "The Politics of Agriculture in the United States," Journal of Farm Economics, v.32, 1950, pp.571-583.

[42] Alonzo L. Hamby, "The Vital Centre, the Fair Deal, and the Quest for a Liberal Political Economy," in **Harry S. Truman and the Fair Deal**, ed., Alonzo L. Hamby, Lexington, Mass.: D.C. Heath and Company, 1974, pp.134-62; Jules Abels, **Out of the Jaws of Victory**, New York: Henry Holt

Because of his early experience, Brannan always allied himself with the small farmer. He believed and widely preached the idea that family farms had to be strengthened and could be better served by government agencies than if left alone to market forces.[43] Unsurprisingly, the Plan was designed in such a way to render the national government responsible for helping to preserve the family farm, produce abundant crops and exercise reasonable care for the land. The Plan also demonstrated its distrust of corporate farms by making government payments only to small family farms. The plan was designed, in short, as an economic device to provide farmers with a safety-net, a political mechanism to guarantee the continuation of the Democratic party's success and a social measure to protect the traditional family farm. His beliefs being such, they were not accepted by a lot of people and his political orientation scared away many in the farm community, including both supporters and opponents of the Plan.

3.2 General Social Beliefs in the Post-War Period

"Changing people's attitudes and beliefs through rhetoric may ... create a normative climate which facilitates future structural change."[44] But it can also create a climate in which changes in institutions will be difficult. In the late 1940s, there was a shift in public opinion accompanying the outbreak of the Cold War and wide-spread anti-communist sentiment. Events in the Soviet Union, Eastern Europe, China and Great Britain with Labour's victory frightened Americans who worried that socialism was infectious.[45] As the Cold War became the major concern, the reform forces had lost their strength and the call for an expansion of national planning and regulation was riding against the tide. Conservatives were joined by those farmers who had become anti-New Deal although still supportive of their own government programs. They began tempering their support for reform when faced with accusations of "communism."

Much of the debate over the Brannan Plan was focused on the issue of whether the Plan was a "socialist" program. The critics argued that the Plan was designed to "nationalize,"

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and Company, 1959, p.301.

[43] Charles F. Brannan, "Till Taught by Pain," in Proceedings of the Association of Land-Grant Colleges, 65th annual convention 1951, pp.52-61.

[44] Olsen, "Modernization Programs in Perspective," p.135.

[45] It was argued that in the United Kingdom under the Labour Party, agriculture was socialized and consumers were subsidized by government. Such government intervention in agricultural sector led directly to a shortage of food.

"sovietize" and "socialize" agriculture and that it would have two inevitable results: 1. government regimentation of agricultural production and marketing and other aspects of farmers' daily life; and 2. an expansion of federal agencies.[46] The Brannan Plan was assailed as a "socialistic gimmick," "a political football," "collectivism and statism," "a slave-farmer law" and many other obnoxious labels. Such labels drew bitter fire from the opponents of the Plan and created concern among its sympathizers.

Most people agreed that it was unwise to expose agriculture entirely to free market forces for, unlike industry, it could not make quick and effective adjustments and any price support system obviously required a certain amount of government intervention. The Plan, thus, was no more guilty than any other measures proposed by its opponents. Yet, the critics argued that the higher the support levels were set, the greater the federal government's control would be. So, the argument went, in order to keep the price-support level high -- as suggested in the Plan, as high as 100% of parity -- and to keep the costs of the program low -- as low as within manageable limits without levying additional taxes -- the government would have to "exercise such controls as to limit production to a point where supply and demand would bring the price up." Farmers would have to comply or adopt "whatever programs [which] are found necessary to curtail wasteful production or disorderly marketing (such as acreage allotments, marketing quotas, and marketing agreements)."[47] According to the Brannan Plan, controls would apply not only to traditional basic commodities, but also to perishable ones. Moreover, the Plan required farmers to comply with the "observance of minimum and sound soil-conservation practices" in order to be eligible for price supports. This meant that a farmer would not only have to comply with marketing regulations but also "to use his land in such a manner [that] may be approved by Federal officials."[48] "Once the farmer surrenders the control of his farm, he gives up his liberty. And when he loses his liberty, he loses all,"[49] argued opponents. Many withdrew their support for the Plan mainly to avoid being branded with supporting the "socialization" and

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[46] Congressional Record, 1949, pp.14311-321, A 3912-13, A 3677-79, A 4661-63, A 4723-24, A 5848-50, A 6481-82; Junius B. Wood, "Seed Beds of Socialism: No.3 -- Department of Agriculture," Nation's Business, December, 1950, pp.54-60; T.K. Cowden, "Current Trends in Agricultural Policy," Journal of Farm Economics, v.31, 1949, pp.800-805.

[47] Charles F. Brannan, statement before the joint session of the Senate and House Agriculture Committees, April 7, 1949, p.145.

[48] Congressional Record, 1949, p.4032.

[49] Ibid., p.9959.

"nationalization" of agriculture.

Another issue was the expansion of the USDA's function over production and marketing. In the 1930s and the War period the USDA performed most of the functions of planning and regulation. The AAA and later the OPA controlled production, marketing and distribution of agricultural products. There was little opposition at the time for, as Farm Bureau president Ed O'Neal explained, during the war "we have given approval to many things that we would not tolerate at all in times of peace."[50] The situation in 1949 differed substantially from that in the 1930s and the war years when the major international menace had been fascism. In the Truman era, the issue was communism. When the Plan proposed that the USDA be given power "to control the kind of crops and produce, and the amount of them, that can be raised, to dictate how large a farm may be, and to decide whether the land shall be used for farming, for grazing, or remain idle,"[51] anti-reform forces protested. They tied the issue to the anti-communist movement again. It was argued that the USDA would expand enormously, with a "veritable array" of federal employees. The Secretary of Agriculture was to be given "dictatorial power" to decide acreage allotments, to fix market quotas on hogs, cattle, poultry, grains and vegetables, and to have prices set in Washington instead of the market on "every pound of meat, every dozen eggs, and every bushel of grain produced."[52] It was said that the Secretary, who already possessed "more power than any other Cabinet member," "would become the czar over 6,000,000 American farmers." Farmers would become "economic slaves dependent upon the edicts and bounty of the Secretary of Agriculture and the Congress for billions of dollars in appropriations to carry out the commitments of the Secretary."[53] These accusations were made not only by politicians but also by conservative groups such as the Chamber of Commerce and the National Association of Manufacturers. These allegations were made by those who believed the Plan was a direct threat to their economic interests[54] but were easily accepted even by those who did not have personal interests involved. The accusation that the Brannan Plan was "paternalistic" and

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[50] Edward A. O'Neal, The Annual Address of the President of the American Farm Bureau Federation, before the 27th Annual Convention, Chicago, Illinois, December 18, 1945, p.14.

[51] Congressional Record, 1949, p.9952.

[52] Ibid., p.9953.

[53] Ibid., p.9838.

[54] Schmidt, "Socialism-- The American Pattern: Welfare State Equalization of Income;" National Association of Manufacturers, **An Analysis of the Brannan Plan.**

infiltrated by communists with "sinister and damaging effects," evoked powerful anti-Brannan Plan sentiments among people who had little understanding of the Plan but who had a political axe to grind.

In this section, it has been argued that the changing international and domestic political conditions affected the public's beliefs and conversely these beliefs had a profound impact on both the policy making process and policy decisions. People's understanding of situations and the implications of policy proposals are "always mediated by ideas; these ideas in turn are created, changed and fought over in politics."[55] At the time of the Brannan Plan, the most influential ideas were a strong suspicion bordering a hostility toward anything that resembles communist or socialist practices. The Brannan Plan fell too easily into this category.

4. Operating Rules as Constraints in Policy Making

The last factor to be considered is the struggle over established rules of the game, or the general patterns of practices, which signified the conflicts over the micro-and macro-level factors. The agricultural policy community had its own rules and expectations regarding members' practices. The rules consisted of a constellation of constraints and opportunities. They granted groups/individuals differential access to policy making, raised their expectations regarding their involvement in the policy making process, and created an order that allowed the agricultural policy community to function and survive. While the rules need not be codified, they are recognized by the community's members. Thus, rules are important in shaping and maintaining the pattern and stability of the policy making process. This bundle of norms, habits, conventions, practices, customs, laws, and administrative rules is most important in our analysis and understanding of the failure of the Brannan Plan because it legitimated participants and agendas, created sanctions against deviations of practices and governed inter-personal and inter-agency relations. These operating rules did not determine either policy choices or policy politics, but they made certain policy changes more likely than others.

Resistance to change is a function of the operation of political routines primarily because the rules are not neutral. They define the space within which individuals/groups are free to

[55] Deborah A. Stone, "Causal Stories and the Formation of Policy Agendas," Political Science Quarterly, v.104, 1989, p.282.

exercise decision-making. That is why, even though the operating rules are likely to be made by people in power, anybody who works against them in situations which do not warrant radical changes may fail. Hence, "reformers are more likely to succeed if they try to change institutions in ways consistent with long-term trends in ... society than if they try to go against the tide."[56]

The working rules involved in agricultural policy making had several features. First, it was argued that agricultural policy making should remain bipartisan, or rather non-partisan, and be removed from the political realm (even though it had never been disentangled from politics). Second, it was accepted that agricultural policy making was a matter for the agricultural policy community only and that agricultural policies were for protecting and promoting the interests of farmers, and their interests only. This meant not only that the participants in farm policy making were limited, but so too was the policy agenda. Finally, it was believed that agricultural economists were an indivisible part of the policy making process and that their consensus and endorsement of certain policy options were necessary and imperative for the successful exclusion of farm policy making from both the wider political debate and any challenges from other economic sectors. These beliefs were institutionalized into an organizational structure -- a bounded policy community whose principles were that only those who were accepted could be members and the government agency was in the position to decide on membership. Other groups were excluded not only by not being allowed to participate in policy making but also their interests were denied legitimacy in the established policy agenda. In this policy community, government officials, politicians and groups shared "an interest in the avoidance of sudden policy change." Working together, they "learned what kind of change was feasible and what would so embarrass the other members of the 'system' as to be unproductive."[57] Any attempts to change these rules were to meet with resistance.

4.1 Bipartisan, Nonpartisan or Partisan Politics?

In the process of initiating and presenting the Plan, Secretary Brannan was working against every single rule of the agricultural policy community. First, as a politician, Brannan firmly believed that policy making was a political matter and "there should be and is such a thing as party responsibility" regarding policy making. He contended, "If it is political to appeal to the

[56] Olsen, "Modernization Programs in Perspective," p.133.

[57] Jordan, "Sub-Governments, Policy Communities and Networks," p.325.

judgement of the American people in farm program matters, so be it."[58] For him it was perfectly normal to propose a program which would appeal to a broad segment of voters and, at the same time, build and strengthen a coalition for the Democratic party. However, for many years "farm policy had been wrested out of the hands of both parties"[59] and agriculture had "the political effect of depreciating political parties as significant instruments in the policy-making and administering process."[60] Every farm organization had members from both parties. In Congress only those who were from major farm states and considered themselves as "the natural organ of rural purposes and the natural bastion of defense for rural interests"[61] were able to sit in the agriculture committees. USDA officials were also recruited from both major political parties according to their farm orientation and specialties. With "able-gentlemen" serving in the committees and capable officials in the USDA, it was argued, national agricultural policy making did not need outside help. Rather the latter was usually seen as an unwanted outside intrusion. These people were proud that they were able to take farm policies out of the realm of politics by forming a closed bipartisan coalition.

The Brannan Plan was seen as an effort to break these rules and inject politics into farm policy making. The questions started with who had initiated the Plan. This was important because the legislation (the Hope-Aiken Act) passed in the previous year had not yet become effective and there were no petitions from either farmers or farm organizations for new farm programs.[62] At the beginning of 1949 no one farm group was in a position to advocate any new farm programs. The Farm Bureau and National Grange supported the sliding price support principle and wanted it to become effective as soon as possible. The Farmers Union, which had supported the Hope-Aiken Act of 1948 while it was moving through Congress, did not like the provision offering sliding supports but was willing to give it a trial run since the House provision was still in the book. Furthermore, all the farm organizations and most farmers wanted some form of

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[58] Congressional Record, 1949, p.A-3579.

[59] McConnell, **The Decline of Agrarian Democracy**, p.142.

[60] Hardin, "The Politics of Agriculture in the United States," p.574.

[61] Ibid.

[62] Jim Roe, "An Open Letter to American Farmers," Successful Farming, v.48, May 1950, pp.33ff.

government price support even though they could not agree on the specifics,[63] and they did not have anything better to replace the Aiken-Hope act. "In the absence of agreement over a new program the conflicting interests of farmers appear to cancel out into an uneasy acceptance of the prevailing program as something that hasn't hurt the farmer -- yet."[64]

Moreover, despite declining farm prices, the lack of demands for a new program from farmers could also be attributed to the fact that the farmers were enjoying their highest income in agricultural history and to a war-time high subsidy program which would cover losses until the end of 1949.[65] Most farmers did not favour flexible price supports for fear of a price collapse in the near future and "prefer[red] to continue the present system of supporting certain products at 90 percent of parity," nor did they demand 100% of parity support as the Brannan Plan did. They knew they could count on the old program for that year.[66] Very often farmers were conservative in the sense that they were likely to eschew radical changes. Unlike business people, whose conservative belief was identified with less, or even an absence of, government control, farmers, "desperately eager to preserve the gains of the last two decades against both

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[63] Several years earlier, the President of the Farm Bureau, Edward O'Neal, made this point clear, saying, 'apparently our national economy has become so complex that there is little hope to return to a situation in which the free play of economic forces is permitted to function ... farmers will continue to ask the help of government in maintaining a fair degree of stability in the farm economy." (Edward A. O'Neal, **The Annual Address of the president of the American Farm Bureau Federation**, before the 27th Annual Convention of the American Farm Bureau Federation, Chicago, Illinois, December 18, 1945, p.15).

[64] "Price-Supports -- Should They Be Fixed or Flexible?" Farm Journal, v.73, March 1949; Samuel Lubell, **The Future of American Politics**, New York: Happer & Brothers, 1952, p.177.

[65] The continuing high farm prices after the war was to a large extent a result of the efforts of rebuilding Europe. The severe winter in 1946-47 in Europe, the Mediterranean drought, short of labour, machinery and fertilizer, and, more important, "the dislocation of the entire fabric of European economy,"intensified the food shortage in Europe. ("Secretary of State George C. Marshall's Address at Harvard Commencement, June 5, 1947," in **The Marshall Plan: A Retrospective**, ed. by Stanley Hoffmann and Charles Maier, Boulder: Westview Press, 1984, pp.99-102, p.99) As a part of the Marshall Plan, American agricultural products were sent to its European friends. In 1940 just before the Lend-Lease Act was adopted, the U.S. exported 40 million bushels of wheat, 1,200 bales of cotton, for example, and in 1948, it exported 504 million bushel of wheat and 5,000 bales of cotton. In 1940, agricultural export took only 9 percent of the total domestic export and in 1948 it amounted to 30 percent. This growing export demand allowed American farmers to expand their production tremendously without accumulating too much surplus and without costing government too much even though a positive price guarantee for farmers was still in the book as the Steagall Amendment. Farm prices and incomes remained high. (USDA, **Agricultural Statistics**, 1950).

[66] "Control Look Good To Farmers," U.S. News & World Report, April 22, 1949, pp.16-18.

inflation and depression, seem worried over too little and too much government."[67]

Some committee members did want to repeal the Aiken provision in the 1948 farm act and restore a 90% of parity support program for the basic commodity producers. They argued that "the very next day after the bill [1948 Act] was passed prices on most all farm products began to drop and have been on the decline since, and from that day on the unemployment rolls have mounted."[68] These farm-state politicians were worried about a further price collapse once the Aiken provision became effective in 1950. Thus, as soon as the 81st Congress was organized, as Secretary Brannan noted, "Chairman Elmer Thomas [D-OK] of the Senate and Chairman Harold D. Cooley [D-NC] of the House set the wheel in motion for a study of existing legislation, developing programs, and the need for new price-support legislation."[69] Yet, neither farm groups nor committee members expected any radical change in the existing farm programs.

The boldness of the Plan, especially the concept that both farmers and consumers would benefit, surprised committee members who saw this as an assault on their legislative powers and as an offence to their farm constituent interests. They saw Secretary Brannan playing "political football" by promising farmers higher farm prices, consumers lower food prices and taxpayers no higher taxes. In doing so, it was argued, the Plan was designed to snare the largest number of votes and to buy both farmers and labour, consumers and taxpayers, to "repair the political damage sustained by the administration as a result of the recent decline in farm prices, and at the same time to stop the Republican bid for agriculture's favour represented by the comparatively conservative Aiken law."[70]

From the very beginning the appeal of the Plan to a large group of voters dragged the debate into party politics. Those who did not have farm interests in their constituency wanted to defeat the Plan just because of this. This was especially true with Republicans. Having lost five terms of the presidency, especially after their unexpected defeat in the 1948 election,[71] the

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[67] Lubell, **The Future of American Politics**, p.168.

[68] Representative Ben F. Jensen (R-IO), in Congressional Record, 1949, p.A-2825.

[69] Congressional Record, 1949, p.A-3678.

[70] Congressional Record, 1949, p.4155; Hamby, "The Vital Centre, the Fair Deal, and the Quest for a Liberal Political Economy;" Abels, **Out of the Jaws of Victory**.

[71] The Democratic proportion of the two-party vote for President declined from 1936 to 1944 and the general trend of Democrats holding congressional seats was also downwards, from 332 in 1936 to 263 in 1948 in the House and from 76 to 54 in the Senate. (Norman J. Ornstein, ed., **Vital Statistics on Congress, 1982**, Washington, D.C.: American Enterprise Institute for Public Policy Research, 1982,

Republicans were aware of the impact of the potential political alliance appealed to by the Plan and feared that the political coalition Brannan was trying to build would further entrench the Democrats in power. They immediately made a political issue out of the Plan, accusing Brannan of using the USDA and farm programs to "promote the welfare of the party and perpetuate the administration in power."[72]

For farm state politicians, the partisan implications of the Plan could drive a wedge between the Democrats and Republicans and weaken the alliance established on the basis of commodity interests. They argued that in the history of farm legislation stretching back fifty years, agricultural policy making on the national level had always been the result of efforts of both parties. Usually leaders of both parties had joined hands in writing and introducing farm bills. The 1933, 1936 and 1938 farm acts and even the 1948 farm act were formulated with support of members of both parties in the committees. The cry for pulling farm programs out of the realm of partisan politics, ending partisan politics and partisan squabbling over the farm bill attracted so much attention that it also became a partisan issue.

4.2 An Inclusive or Exclusive Policy Agenda?

The implacable hostility to the Plan was also ignited by the allegation that the Plan was not formulated by USDA officials but "specifically outlined in the resolutions adopted in the national convention of the CIO" in 1948.[73] For years, coalitions in farm policy making had been stable, exclusive and small, and had their own interests, skills and resources. Since the 1930s, efforts to make government more responsible had resulted in the growth of presidential power in general and bureaucratic power in particular. The congressional agriculture committees neither

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pp.10-11, 14-15) The Republicans, however, could not ride this wave and win the 1938 election. There were many reasons for the failure. Nevertheless, most Republicans in Congress argued that, first, the New Deal emergency measures and welfare programs as the ladder upon which the Democrats were allowed into the seats of the presidency and stayed there for five terms. If these programs were allowed to expand, as Brannan proposed, some believed that the Democratic party would win a permanent united voting group in future elections. Second, many Republicans concluded that nominating "liberal" Dewey instead of conservative Taft had contributed to its defeat in the 1948 elections and a "me-too" congress would not defeat the Democrats in the future elections. What they needed was "a choice, not an echo" to the President Truman's Fair Deal measures, including the Brannan Plan. (Irwin Ross, "What Happened in 1948?" in Hamby, ed. **Harry S. Truman and the Fair Deal**, p.125).

[72] Earl L. Butz, "The Politics of Agricultural Subsidies," Proceedings of the Academy of Political Science, v.25, no.1, May 1952, p.65.

[73] Congressional Record, 1949, p.A 5917.

objected to farm programs initiated, designed and formulated by USDA officials nor hesitated to delegate substantial discretionary authority to the Secretary. Nevertheless, they strongly opposed non-farm sectors being brought into farm program making and "illegitimate" interests being taken into consideration in farm policy formulation. In other words, as long as the secretary used his authority strictly to mobilize political support for farm interests, Congressional agriculture committees were willing to grant him power.[74] Yet, if the secretary and the USDA tried to expand and bring in other actors or establish new policy agendas, the agricultural community unhesitatingly resisted. The committee members were joined by farm organizations to "mobilize their resources and their allies to resist external attempts to change those parts of their structures which are closely related to their identities."[75]

The inclusion of consumer interests into farm policy-making consideration was opposed by farmers, farm groups and farm state politicians also because they did not want to see their agencies with divided loyalties. "They want agencies to represent their interests and theirs alone."[76] It had become the convention that the Secretary of Agriculture was supposed to speak for the farmer, protect and promote his interests whenever there was a conflict between farm interests and those of other economic sectors. Former Senate Agriculture Committee chairman George Aiken made this point explicitly clear:

> Farmers have many friends and well wishers outside their own ranks. Good relations with other groups is excellent, but when any other group steps over the line and attempts to map the future and evolve programs for us the results are not likely to be satisfactory. So I want to stress the point right here and now that the working of farm problems is a job for farmers and should not be turned over to any other class of people.[77]

This convention made it difficult for other economic sectors to get access to agricultural policy making without agitating resistance from the members of the agricultural policy community.

For Secretary Brannan, however, it was normal to consider other interests in addition to those of farmers in agricultural policy making. He believed and publicly preached that "the Department of Agriculture is not a private preserve for farmers [because the price supports] have

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[74] Ibid., pp.4033-35, p.A-6030.

[75] Olsen, "Modernization Programs in Perspective," pp.132-33.

[76] Harold Seidman, **Politics, Position and Power**, (New York: Oxford University Press, 1980), p.162.

[77] Congressional Record, 1949, p.A-6030.

been so much of a service to consumers as to producers."[78] Consequently, he made conscious efforts to take into account consumer interests in agricultural policy making and thus challenged the rules of the game. But these concerns, that consumers would have plentiful and steady supplies of agricultural products at reasonable prices, were in conflict with the ideology of the agriculture community. Efforts to make changes in an accepted manner in delivering public services produced conflicts in the 1949 farm policy making.[79]

4.3 Concentration or Vulnerability of Policy Planning?

Another concern of the agricultural policy community was the role of the USDA and its agricultural economists in its policy making. In the 1930s, as we can recall, a group of reform-minded economists were recruited into the USDA and the BAE and PPD and were in charge of initiating and formulating national agricultural policies.[80] As the conservatives were gaining political influence when the War started, Secretary Wickard, and later Secretary Anderson, made tremendous efforts to insulate the reformers within the USDA from the attacks of the Farm Bureau and conservatives in Congress.[81] "At the end of 1945, Secretary Anderson transferred responsibility for leadership in general welfare agricultural program planning and direction of the interbureau committee work from BAE to his own office" and established the Policy and Program Committee, of which Assistant Secretary Brannan was asked to be in charge.[82]

The Policy and Program Committee consisted of top administrative officers and bureau chiefs who assigned technical specialists from their respective bureaus and the BAE to work out cooperatively a blue-print of peacetime farm programs. The functions of the Committee included

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[78] Charles F. Brannan, "Public Service Unlimited," a talk before Chi Psi Omoga Banquet, American University, Washington, D.C. November 5, 1948, p.1.

[79] Brian W. Hogwood and B. Guy Peters, **Policy Dynamics**, (New York: St. Martin's Press, 1983), p.120.

[80] For example, Charles A. Sarle and Albert G. Black were in charge of hog control; M.L. Wilson for wheat and general policy; A.G. Black for corn, Lawrence Myers for cotton; J.B. Hudson for tobacco; and Howard Tolley, first for fruit and vegetable, then a central planning unit for the current and future farm programs.

[81] The Farm Bureau attacked the BAE, as some studies have shown, because it wanted "to bring all agricultural policy formulation and administration under its own domination." (Charles M. Hardin, "The Bureau of Agricultural Economics Under Fire: A Study in Valuation Conflicts," Journal of Farm Economics, v.28, 1946, p.638).

[82] Edward C. Banfield, "Organization for Policy Planning in the U.S. Department of Agriculture," Journal of Farm Economics, v.34, 1952, p.24.

"the consideration of over-all policies governing the programs of the department, including the functions with respect to planning transferred from the Bureau of Agricultural Economics, the review and evaluation of plans and programs of the constituent agencies, and the review of the production goals formulated by the commodity committees under the auspices of the Production and Marketing Administration."[83]

The fact that the Policy and Program Committee was formed by political appointees and the fact that it was placed in the office of the Secretary from the very beginning subjected USDA planning functions to much more political consideration and influence than they had had under the BAE. A special technical competence of its officers provided the BAE with a unique and "rightful" policy initiating legitimacy.[84] The concentration of program planning and policy making in the secretary's office prevented these professional civil servants from playing an active role in pursuing preferences and formulating policies independently. It increasingly politicized the program planning and policy making processes. In doing so, the very efforts to protect reforms and planning functions in the USDA weakened its capacity to conduct planning and policy making.

Moreover, since the 1930s, among the new class of "service intellectuals," a consensus had developed that "the greatest responsibility of agricultural economists is to break the bottleneck between the agricultural economists and those who make national agricultural policy." In addition to data collection and long-term research in such areas as farm management, marketing and the rural development, agricultural economists were expected to play an active role in policy initiation, formulation and implementation and believed that they had an obligation to work "with policy-making or policy influencing groups to **determine** minimum acceptable levels of support."[85] When a large group of economists were brought into the policy making process, a deliberate effort was made to establish bureaucratic-cum-technical procedures for deciding issues of farm support in order to take the political heat out of the issue. It worked well in the 1930s and 1940s.

Secretary Brannan, to the contrary, developed the Plan with an exclusive group of professionals and worked out the Plan's major provisions himself. From the seminars, he drew

[83] Ibid., p.25.

[84] Norton E. Long, "Power and Administration," Public Administration Review, v.9, 1949, p.259.

[85] L.H. Simerl, "Farm Attitudes and Methods of Supporting Prices," Journal of Farm Economics, v.29, 1947, p.249.

upon economic analyses, and then formulated the provisions himself without obtaining the consensus of the staff economists. One hour before his presentation in Congress, for example, Secretary Brannan gave a copy of his plan to Edwin G. Nourse, chairman of the Council of Economic Advisers (CEA) and a senior expert in farm policies. The Policy and Program Committee was not even consulted.[86] Many economists saw this as a gesture in making politics rather than policies to deal with the matter at issue. As a one-man decision, the Plan superimposed political conflicts on the administrative structure, which undermined from within state coherence and autonomy.

Furthermore, even though it is exaggerated to say that "nearly all of the major agricultural economists in the United States had objected to the Brannan Program, or to considerable parts" of it, there were serious differences between the policies endorsed by the economists and those of Secretary Brannan.[87] The centre of the Brannan Plan was the concept of "parity income for farmers as a group rather than parity prices for individual farm commodities."[88] This concept had been emphasized by the American Farm Economic Association a year earlier. Many economists supported this shift and advocated soil conservation, direct payments and limiting the payments of large commercial farmers, which were all included in the Plan.[89] However, most of them argued that the support level in the Plan was too high (100% of parity), that it would distort market functions completely.[90] The issue was not as fundamental as it looked because there was no dispute regarding the necessity of government programs and the differences could have been worked out, as was the case in the 1930s to reduce the potential opposition. However, being an attorney heading the USDA, Brannan brought personal distrust of economists into farm policy making, especially when a small group of economists argued for non-government intervention and for the pre-New Deal economic system. To avoid open disagreement with the economists in the USDA, Secretary Brannan put forward his own plan, which carried "his philosophy of positive government and his goals of income

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[86] Banfield, "Organization for Policy Planning in the U.S. Department of Agriculture," p.27.

[87] Smith, "The Brannan Plan: Counterattack in Favour," p.63.

[88] Rudolph K. Froker, "Agricultural Policy," Journal of Farm Economics, v.31, 1949, p.213.

[89] They recognized the merits of the Plan, "such as using an income rather than a price standard, a recent rather than a distant base, and a moving rather than a fixed base" (J.D. Black, in Congressional Record, 1949, p.A-2466).

[90] Theodore W. Schultz, The Turbulent Brannan Plan," Farm Policy Forum, February 1950, p.8; J.D. Black, in Congressional Record, 1949, p.A-2466.

equity for farmers and cheap food for all consumers."[91]

The failure to obtain the support of the agricultural economists can also partially explain why politicians who were sympathetic to the principles of the Plan rejected it. As the agricultural industry became more commercialized and more advanced technologies were employed, agricultural policy became so technically complicated for politicians to understand that it was difficult for them to make intelligent judgements, not to mention formulate farm programs. Thus, they tended to rely on the analyses of economists, especially political economists, whose negative evaluations surely did not result in positive support for the Plan. These professionals, as a political force, influenced the adoption of public policies.

4.4 Working Against the Rule?

The last aspect of the agricultural community as it was involved in policy making concerns the role of farm organizations. Under Secretary Wallace, economists initiated, designed and formulated the 1933, 1936 and 1938 Farm Act as well as many other farm-related programs. After the War, the tradition was carried on. The Agricultural Act of 1948 "was largely written in the Department of Agriculture."[92] Yet, secretaries did not neglect to consult farm organizations after the blue prints had been worked out and before they were submitted to Congress. Usually, at meetings called by the USDA, farm groups were offered opportunities to comment on the proposals and urged to make suggestions to Congress. They were also encouraged to work out their differences among themselves under the supervision of USDA officials, who provided information, knowledge, analyses and interpretations of economic factors which could affect agricultural production and marketing as well as the political ramifications of various proposals. After farm legislation was enacted, secretaries allowed farm organizations to claim credit for their successes. In a democratic and constitutional political system, politicians must be concerned with the mobilization of consent.[93] Consultation with pertinent groups is one

[91] Crauford A. Goodwin, "The Economic Problems Facing Truman," in **Economics and the Truman Administration**, ed., Francis H. Heller, Lawrence: The Regents Press of Kansas, 1981, p.6; Willard W. Cochrane and Mary E. Ryan, **American Farm Policy, 1948-1973**, Minneapolis: University of Minnesota Press, 1976, p.29.

[92] Congressional Record, 1949, p.9846.

[93] "To govern, politicians must attain office, and then obtain consent while holding office," argues Peter A. Gourevitch. "Politicians judge economic policy alternatives at least in part by the effects these have on the holding of office and the ability to govern." (Peter A. Gourevitch, "Keynesian Politics: The Political

way to achieve this objective. This had become a rule of the game.

There was a set of expectations about reasonable consensus building through prior consultation. For almost two decades, the USDA had been unwilling to proceed without extensive prior consultation with farm organizations. While such prior consultation was part of the policy procedure, it did not deprive USDA officials from making their selections of what they would adopt and what they would ignore. The fact that farmers and farm organizations often pursued divergent interests created additional space for USDA officials to manipulate the bias in their favour and to act autonomously and legitimately. Finally, since it was widely acknowledged that farm organizations were not originators but only brokers of ideas of farm policies, prior consultation seemed more of a political necessity. Since they were the ones for whom the policies were designed, for decisions to endure consultation was essential.[94]

This clientele relationship between the USDA and farm groups in general and between its field workers and their concerned commodity groups and relevant committees in particular ensured that the USDA would be the protector and spokesman for farmers on the one hand and farm groups would be supporters of the USDA policy initiatives on the other. In agricultural policy making, farm groups were consulted. In the administrative process farmer committees operated with the guidance of USDA field workers and local officials. Once the consultation process between government and interest groups was established and routinized, the policy community was immune to outside influences as long as there was no major political or economic crisis and the existing mechanisms were available to handle major crises and changes in the agricultural community.[95] Policies were formulated and administered quietly, primarily for the benefit of farmers. Broader public acceptability was mobilized by the apparent unity of the policy community.

Secretary Brannan intentionally worked against this rule to maximize the legitimacy and autonomy of the policy making authority of the USDA, increase significantly its regulatory, organizing and planning functions and more directly challenge the special position the Farm Bureau claimed it had with the USDA. "Leaders of some farm organizations," referring to the

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Sources of Economic Policy Choices," in **The Political Power of Economic Ideas: Keynesianism across Nations**, ed., Peter A. Hall, Princeton: Princeton University Press, 1989, p.89).

[94] A.G. Jordan and J.J. Richardson, **Government and Pressure Groups in Britain**, (Oxford: Clarendon Press, 1987), p.3.

[95] Smith, "Changing Agendas and Policy Community."

Farm Bureau, Secretary Brannan once commented, "apparently take the view that they, and only they, can speak for farmers. They seem to feel that farmers and the secretary of agriculture should be gagged and muzzled unless their voices are filtered through the purifying plants of a particular organization."[96] Brannan was further agitated by the coalition formed between the Farm Bureau and the conservative forces in Congress, which had eventually led to the downfall of the Resettlement Administration and the Farm Security Administration. With Truman's victory in the 1948 election and a Democratic come-back in Congress, Brannan believed that "the time was ripe for a vital thrust at the Bureau, with its discomfiture rebounding to the interests of the Department and the Farmers Union."[97]

Another reason for Brannan's attempt to change the rules of the game in dealing with the Farm Bureau was that he was confident that he would be able to take advantage of the rifts between farm organizations and within the Bureau. The Farm Bureau had formed an alliance with conservative groups, including the Chamber of Commerce, to express its full conviction of lining up with business and big corporate interests. They opposed almost all Fair Deal measures, which included the "extension of any Valley Authority," "any form of national compulsory health insurance" and federal income tax on annual earnings of all corporations.[98] Meanwhile, the Farmers Union allied with organized labour, which supported full employment, a higher minimum wage, unemployment compensation and larger social security programs. On farm measures, the Farm Bureau favoured flexible and lower support levels, while the Farmers Union favoured a guaranteed 100% of parity for farmers.

Within farm organizations, particularly the Farm Bureau Federation, there were severe power struggles. Over economic interests, farmers from the South favoured high and fixed price supports, while those from the Midwest favoured flexible ones. The coalition formed in the 1930s between the South's O'Neal and the Midwest's Smith fragmented. The position of Kline as the president of the Farm Bureau was at stake, challenged by the Southern farm bureau leaders.[99]

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[96] Quoted from McConnell, **The Decline of Agrarian Democracy**, note 11, p.214.

[97] Christenson, **The Brannan Plan**, p.174.

[98] Dale Kramer, "The Truth About the Farm Bureau," Virginia: National Affairs Press, 1950, p.12 (NAL); Victor L. Albjerg, "Allan Blair Kline: The Farm Bureau, 1955," Current History, June 1955, pp.362-71.

[99] Kramer, "The Truth of the Farm Bureau;" Albjerg, "Allan Blair Kline: The Farm Bureau, 1955;" H.L. Wingate, Georgia Farm Bureau President, "Price-Supports -- Should They Be Fixed or Flexible?" Farm Journal, v.73, March 1949.

In addition to the wide discrepancies in interest and ideology, the rivalry for farm leadership intensified between the Farm Bureau and Farmers Union. While Farm Bureau president Kline's dream of becoming Dewey's Secretary of Agriculture was unfulfilled, the president of the Farmers Union, James G. Patton, gained the trust and confidence of both President Truman and Secretary Brannan.

Believing that "where there is disagreement among groups the government's own scope for manoeuvre is increased,"[100] Secretary Brannan was determined to challenge the legitimacy of the Farm Bureau as the spokesman for farm interests and especially to reinforce the USDA's position in policy initiation and formulation. He submitted the Plan to the President and the agriculture committees directly. This was taken as an affront by the Farm Bureau, that it had not been consulted before the Brannan Plan was announced, and Kline was infuriated because Brannan did not take him into his confidence. The Bureau ran a major p... campaign with full-page advertisements in the national press after the Plan was presented in Congress.[101] Many studies see this as a perfect example of pluralist politics where the farm organizations decided farm policies and farm politics. It is argued here, however, that this should be taken more as an indication of the fears of the Bureau that the normal private routes of contact with government were not sufficient on this occasion than of its direct and indirect means of affecting government. The campaign was launched as a last resort after normal private channels to government seemed unlikely to produce the desired result. Moreover, the anti-Brannan Plan itself can only be understood by analysing the actions taken by USDA officials. The Farm Bureau did not set the campaign in motion. Brannan did. The problem, however, was not only that "any interest, once it gains power, is difficult to dislodge,"[102] but, more important, once such practices are institutionalized as a set of underlying informal rules regulating the policy making process, they are so durable that a sudden change seems unlikely. The negative aspect of this campaign was that the allegations of "the unusual procedure employed in creating this plan" won a lot of sympathy from other sectors of the society at a time which favoured a pluralist philosophy to

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[100] Brian W. Hogwood, **From Crisis to Complacency? -- Shaping Public Policy in Britain**, (New York: Oxford University Press, 1987), p.54.

[101] An anti-Brannan Plan campaign, according President Truman, "cost the Farm Bureau members more than half a million dollars in one year." (Harry S. Truman, **Memoirs -- Volume II: Years of Trial and Hope**, New York: Doubleday & Company, Inc., 1956, p.267).

[102] Key, **Politics, Parties and Interest Groups**, p.29.

counter attack Communist and Fascist totalitarianism on the one hand and reactionary *laissez-faire* individualism on the other.

Agricultural politics was characterized by enormous pressures for agreement and a united front by the diverse interests within the farm community. This was important, for under the American political system "political authority cannot rely upon giving bureaucratic orders. In the policy-making process it must also gain influence over autonomous groups and organizations by indirect action upon their perception of their social environment."[103] Mobilizing political support for programs is important for the bureaucracy and it is more important to utilize the rules of the game that are in its own favour instead of against them. Informal rules have a lot more binding force and are more enduring than formal rules, which can be changed over night. It is an accepted axiom in public policy studies that the quality of policy decisions is related to the availability of information and the access of pertinent interests to the decision-making processes.[104] The best decisions are made when the interests that bear the burdens and enjoy the benefits are informed and participate. Moreover, the more drastic the changes proposed, the greater the necessity for consultation.

This argument does not conflict with ones made by statists. Rather it is emphasized that the strategies taken by policy makers without any doubt affect politics as well as their own governing capacities. The actions, rather the success of certain actions, taken by policy makers are very much restrained by the cooperative and competitive relationships established earlier and the rules governing the operation of the policy community. The relationships and rules, formal as well as informal, have significant implications for the likely course of public policy and politics. They are not, of course, infinite, but neither are they as often subject to members' demands for review or as vulnerable to shifts in political tides. They are more durable than individual members and their efforts for change.

Conclusion

The debate over the Brannan Plan in the late 1940s can be seen as the trial stage for

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[103] Bruno Jobert, "The Normative Frameworks of Public Policy," in Political Studies, v.37, 1989, p.381.

[104] Yehezkel Dror, **Public Policy Reexamined**, San Francisco: Chandler Publishing Co., 1968.

American agricultural institution building, which had started more than a decade earlier. The fact that the high and fixed price support system was maintained after more than a half-year of debate among politicians and the public illustrates the difficulty in making changes in policy programs. It also confirms scholars' findings that the more direct and serious the threat a policy proposal brings to fundamental beliefs or the more direct the conflict between reform attempts and existing procedural rules, the more intense the subsystem conflict would be. The more intense the conflicts, the less likely participants would be willing to make any changes at all.[105] Thus, the failure of Secretary Brannan to get his Plan passed in Congress demonstrates the resisting forces of the agriculture institutional structure established about two decades earlier.

[105] Hank C. Jenkins-Smith, Gilbert K. St.Clair and Brian Woods, "Explaining Change in Policy Subsystems: Analysis of Coalition Stability and Defection over Time," American Journal Of Political Science, v.35, 1991, pp.851-880.

CHAPTER SIX
CONSTRAINTS OF REFORM

The chief agricultural problems in the 1950s and 1960s were overproduction, mounting surpluses and declining farm prices. These problems were dealt with through the continuing efforts of production control, signified by the enactment of the Soil Bank program in 1956, and with additional efforts to expand domestic and international demand through the Agricultural Trade Development and Assistance Act (PL 480) and Food Stamp programs. By the end of the 1960s, paradoxically, the basic legislation, originally enacted to deal with the Great Depression and then used to provide incentives for needed wartime production, not only remained and was expected to deal with an agricultural technical revolution but also was expanded with voluntary production restriction induced by ample government incentives. No one would be surprised to see this development because the same factors which drove farm politics decided policies: public acquiescence in the practice of government quasi planning for commercial farming, an exclusive policy agenda, a closed policy community and a set of cooperative and competitive relationships among members of the community.

These two decades are treated in this study as one piece because, in terms of economic policy, they can be seen as parts of a single historical continuum and, in terms of farm politics, they reflect the continuing efforts of enhancing the established agricultural policy community. Noting that the Republican administration of the 1950s in no sense can be said to have pursued the same policies in general as did the Democratic administration of the 1960s, this chapter shows the continuity of the agricultural policy community and farm programs as well as the similarities and differences of farm politics in the two decades. Farm politics in the 1950s can be characterised as in internal disarray. There was, however, increasing unity among members of the community as external challenges were intensified in the 1960s. In the absence of an external threat and with favourable economic growth, the agricultural policy community could afford fighting among its members. Yet their disagreements focused more on specific provisions than on the principles and guidelines of farm programs. Lacking innovative policy alternatives exacerbated the internal fight of the agricultural policy community.

The chapter is divided into four parts. The first one is a descriptive section on the farm policy programs adopted in the 1950s and 1960s. It shows the continuity of farm programs and government efforts in protecting and promoting the welfare of farmers in a changing environment. That it was the province of government to underwrite commercial agriculture through price guarantees was fully accepted as the norm and this was signified in the kinds of the farm support programs adopted. The second section focuses on the role played by the USDA in farm policy making by examining the relationship between the secretaries and their top officials and their efforts to organize the USDA for consensus building. It is argued that USDA officials continued their dominant position in agricultural policy making in the sense that confusion and internal conflicts in the farm community very much contributed to the disarray among agricultural economists within the USDA and in the land-grand college system. While their agreement on government intervention in agriculture as preventive medicine guaranteed the continuation of the New Deal farm programs, the different diagnoses of the farm problems made by policy makers led to different prescriptions which split the farm community on specific measures to deal with the farm problems. The third section deals with the farm organizations. Ideological differences between the Farm Bureau and Farmers Union split the farm community, while their desire to continue government support tied them together in defending their interests. The conflicts between the Farm Bureau and both the congressional agriculture committees and the USDA sharply reduced the political influence of farm organizations. The last one looks into the non-partisan policy making in the congressional agriculture committees in the 1950s and vote trading with urban politicians in the 1960s when issues other than those on farm prices and income were considered in agricultural policy making. The argument in the third and the fourth sections differs from those made by traditional pluralists because it emphasizes the exclusive policy participants, the leading role of the USDA in dealing with farm organizations and the forces of the policy community which as a whole resisted changes.

1. Legislative Development in the 1950s and 1960s

Changes in the economic situation in agriculture and in the national economy affect the feasible domain of policy choices and the direction and enactment of desired farm programs. The remarkable feature of agricultural development in the 1950s and 1960s was a farm productivity revolution -- the combined workings of improved fertilizers, more and bigger machinery, deadlier pesticides and higher-yielding hybrid plants. As man-hours of farm-work reduced more than 30 percent, output per man-hour doubled (see Table 2 in Appendices).[1] According to the research done by the CEA, one American farm worker produced sufficient food and fibre to supply himself and 7 others in 1919 and about 12 people in the 1940s. By the middle of the 1960s, each farm worker produced food and fibre to meet the needs of more than 33 persons.[2] While farmers greatly increased their productivity, the domestic demand for agricultural products remained relatively stable, despite the growing population in the period.[3] It appeared that farmers were the very victims of their increased production capacity.

Farmers' capacity to produce far in excess of the ability of the domestic market to absorb at a reasonable prices resulted in increasing surpluses in government hands (see Table 3 in Appendices) and thus in government expenditure in handling and storing the surpluses. The growing burden of surpluses called for further government action in production control and market regulation. Both administrations, with enthusiastic or unenthusiastic willingness, enacted programs to reduce agricultural output through rigid production control and domestic and international disposal.

Throughout the two decades, as farmers continuously out-migrated from the farm,[4] the government political and financial support for farmers did not reduce at all. In fact, thanks to the expanding national economy and growing income for urban citizens, direct government payments to farmers grew steadily[5] and increased budget outlays on agricultural supports did not constitute an unbearable burden either to the Treasury nor taxpayers. Consumers found themselves so favoured by falling prices of food that they scarcely noticed when the government interventions were expanded to slow the rate of the fall of farm prices and income. The combination of high general economic growth, high agricultural productivity and cheap food became a blessing for policy makers. Farm politicians were able to ask for more help from the federal government,

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[1] USDA, **Handbook of Agricultural Charts**, no.258, September 1963, p.42.

[2] CEA, **Economic Report of the President**, 1966, p.131; Don Paarlberg, **American Farm Policy: A Case Study of Centralized Decision-Making**, New York: John Wiley & Sons, Inc., 1964, p.37.

[3] The population in the country, for example, increased 19 percent from 1950 to 1960, farm output increased 24 percent at the same time. (USDA, **Handbook of Agricultural Charts**, no.258, p.30).

[4] In the 1950s, about two million farm population migrated out of the farm. (USDA, **Handbook of Agricultural Charts**, no.504, October 1976, p.59).

[5] Direct government payments increased from $0.8 billion in 1953 to $9 billion in 1968 at the end of the Johnson administration and the average annual direct government payments was $4.3 billion (in 1982 dollars). (USDA, ERS, **Farm Income Data: A Historical Perspective**, May 1986, 15).

while those urban politicians were able to support farm programs along the party line without worrying about the consumer's revolt (a point which will be discussed later). Finally, general domestic economic growth and America's predominant position in the world encouraged the government to expand surplus disposal programs through food stamp programs and PL 480.

Politically, up to 1965, major farm legislation was subject to renewal almost every, or every other, year and the frequent enactment of new legislation was said to make farm programs vulnerable to political instability. Strangely enough, in retrospect, this did not change the farm programs in any substantial way despite all the political changes. The farm programs initiated and enacted in the 1930s and the following war period were sustained with marginal changes in the face of a continuing decline in the farm population and persistent increases in productivity and surpluses and in the face of changes in the domestic and international market situation. Over the years, policy legacies developed, having generated and fostered political and economic interests and expectations to resist any radical changes. Expectations of such "clientele-oriented policies" were one of the main obstacles in pursuing any substantial changes in the face of changing circumstances and challenges by various actors.[6]

1.1 Legislative Development in the Eisenhower Administration

In the 1950s, the Republican administration, with Ezra Taft Benson as the secretary, pursued a "free-market" philosophy. It wanted to reduce government support and regulation and let farmers adjust their production to the market system with little or no government intervention. By the end of the period, it had turned out that even though the flexible price support principle replaced the one of rigid supports for all commodities, the essence of the farm price support programs remained. Price support levels were raised for most commodities and acreage allotments and marketing quotas were still in place. By and large, government intervention and regulation in agricultural industry were reinforced instead of reduced.

The efforts pursued by Secretary Brannan to replace price support programs with income support ones were interrupted with the outbreak of the Korean War. Congress enacted the Defence Production Act of 1950 to increase the flow of war goods to the Korean front with minimum hardships on the home front and made mandatory 90% of parity price support for basic

[6] Harold Seidman, **Politics, Position and Power**, 3rd ed., New York: Oxford University Press, 1980, pp.167-68.

crops applicable to the 1953 crop year. Again in 1952, without much difficulty, Congress amended the Act, making supports at the 90% of parity level mandatory for six basic commodities through 1954 and, hence, suspending the "sliding-scale" price support enacted in 1949. In addition, there were also increases in the support levels for several non-basic commodities.[7] As a consequence, high and rigid price supports remained the de facto policy until 1955, despite the advent of the Eisenhower administration in 1953 and the huge surpluses which reemerged after a short interruption of the Korean War.[8] Two policy alternatives to deal with the surpluses were either to impose tighter production controls or to reduce government supports to force farmers to produce for the market. Most farmers favoured production control,[9] while Secretary Benson favoured the latter -- a reduction of government involvement in agriculture.

The Agricultural Act of 1954 established flexible supports for the basic commodities ranging from 82.5 to 90 percent of parity for 1955 and from 75 to 90 percent thereafter.[10] As before, most other commodities could be supported at up to 90% of parity at the Secretary's discretion. Special provisions were added for various commodities.[11] Under the Act acreage allotments were reestablished for corn, wheat, and cotton, and the marketing quota system was

[7] The non-basic products under the mandatory price supports were dairy products, wool, mohair, tung nuts, sugar beets, and sugar canes. Non-basic commodities under non-mandatory price supports included soybeans, cottonseeds, oats, barley, dry beans, flaxseed, sorghum, grain and rye.

[8] Carry-over inventory and loans of the CCC rose from $1.8 billion of 1952 to $3.3 billion a year later and to $5.8 billion in 1954, despite the efforts of the USDA to dispose its quota of 253 million bushels of wheat at $0.56 per bushel under the international Wheat Agreement. (USDA, **Handbook of Agricultural Charts**, no.258, September, 1963, p.34).

[9] In August 1953, 85.3% of 390,221 wheat growers voted in favour of reducing their 1954 wheat acreage to 62 million acres against 78 million acres in 1953 and also in favour of 90% of parity price support. Following the footsteps of the wheat growers, 93.7% of 458,382 cotton farmers voted in favour of reducing their acreage from 27 million acres in 1953 to 21 million acres in 1954 and abiding by quotas. (Congressional Record, 1954, p.13228).

[10] An exception was made for tobacco, which was to be supported at the level of 90% of parity when marketing quotas were in effect.

[11] One of the interesting things happened was that under the National Wool Act enacted at the same time of the Agricultural Act of 1954, two methods of supporting wool were allowed. One was the usual price support method, the other permitted direct production payments equal to the difference between the price received at the market and a support level determined by the Secretary, a mechanism reminiscent of the Brannan Plan. The justification Congress provided was that domestic wool production, contrary to other commodities, could not meet the domestic demand. Therefore, production should be encouraged with government direct payments. This policy was clearly in conflict with the general economic foreign policy the nation was pursuing. The adoption of the direct production payment for wool producers also indicated the change of the people's thinking since the Brannan Plan debate.

Reduced price support, however, did not bring down production output. It, instead, brought down farm prices and farm incomes because farmers tried to produce more to compensate for the lower price supports they would get from the government. Consequently, despite allotments and the marketing quota system, stocks of wheat, corn, and cotton continued increasing in 1955 and 1956. Net farm income declined from $15.9 billion in 1951 to $11.1 billion in 1957.[13] New ways to divert cropland from production and to expand demand on agricultural products were sought by the administration, while new efforts were made by congressional agriculture committees to stabilize farm prices and farm income. In 1956, the Eisenhower administration proposed the Soil Bank program which was designed to link soil conservation with production control, to solve the problem of mounting crop surpluses and declining farm prices.[14] Under the Soil Bank program, farmers were to be provided with

[12] "Should 'Flexible' Price Supports Be Adopted For Basic Products? (Pro)," Congressional Digest, v.33, no.4, April, 1954, pp.110-128.

[13] In 1982 dollar, net farm income dropped from $63.5 billion in 1951 to $38.1 billion in 1957. (Johnson, **A Historical Look at Farm Income**, pp.4-5).

[14] The idea of soil bank conservation was nothing new. Interest in soil conservation grew out of the general conservation movement that got under way in the 1890s and early 1900s. It was not until the 1920s that farmer leaders and farm journalists began to emphasize the need of safeguarding and building up soil. The rising concern over soil deterioration and losses in soil fertility led Congress in 1929 to appropriate the sum of $160,000 to investigate soil erosion. During the Great Depression, President Roosevelt brought together soil conservation and unemployment relief. The erosion-control projects were organized as a form of unemployment relief. The Soil Erosion Service (SES), the first national soil conservation agency, was created in 1933 as a branch of the Public Works Administration to handle a vast network of erosion control projects. After attaining the status of a bureau in the Department of Interior, SES in 1935 was transferred to the Department of Agriculture and converted into the Soil Conservation Service (SCS). The Soil Conservation Act of 1935 made it the Duty of SCS to develop and administer a broad federal program of soil conservation. When the Supreme Court invalidated the Agricultural Adjustment Act in 1936, Congress enacted substitute legislation as an amendment to the Soil Conservation Act of 1935. The Soil Conservation and Domestic Allotment Act of 1936 had virtually the same objective as the invalidated act -- to raise farm prices by reducing crop surpluses -- but instead of basing benefits paid to farmers on withdrawal of land from production of specific commodities, it made crops like wheat, corn and cotton to soil-conserving crops like grasses, legumes and forage which would protect and rebuild the soil.

payments to remove wheat, corn, upland cotton, rice and tobacco from production. Farmers could participate in the conservation-reserve provisions of the soil bank program by placing cropland into a soil bank where fertility would be preserved, and meanwhile they would get cash or grain from the government for not growing any crops. This measure was supposed to kill three birds with one stone -- reducing the surplus production, increasing farm income and preserving soil fertility for future use.[15]

Few issues have ever drawn the entire farm community to one side. The Soil Bank program was one exception, which was endorsed by all farm organizations and farmers. Yet, believing the Soil Bank program was sound but not sufficient and fast enough to raise farm incomes for the coming year, Congress in 1956 passed a bill to restore 90 percent of parity price support for basic commodities and increase dairy support from 75 to 80 percent of parity. Also in 1958, Congress passed a stopgap measure designed to "maintain the status quo with respect to support prices and acreage allotments."[16] It meant to freeze 1958 price supports at no less than the 1957 levels and also to freeze the 1957 acreage allotments for another year to help farmers go through the general national economic recession. While, at the suggestion of Secretary Benson, President Eisenhower vetoed both bills to uphold the principle of flexible price supports, Secretary Benson, within his authority, ordered an increase in the support levels for cotton, rice, corn and feed grains.[17]

The farm programs ended the decade essentially the same as those of the 1930s, with flexible price supports for basic commodities and acreage allotments and marketing quotas in

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[15] "Special Message to the Congress on Agriculture," in **Public Papers of the Presidents: Dwight D. Eisenhower, 1956**, pp.38-62.

[16] Congressional Record, 1958, p.4213.

[17] Congressional Quarterly Almanac, 1958, pp.268-275.

The presidential veto over the farm bill in 1958 was a unique case in agricultural policy development. The bill was supported not only by those farm state/region politicians who were concerned about the coming election but also by the Republican party and some cabinet members who were worried about the potential impact of falling farm prices. The latter two thought that the bill "might take advantage the recession by casting the farm freeze as one of the anti-recession pump-primers currently in favour with both the Administration and Congress." (Time, April 7, 1958, p.21). However, to Secretary Benson, this was a battle over principles and it would be a "terrible mistake from every angle to allow this bill to become law." (Benson, **Cross Fire**, p.396). President Eisenhower supported the decision made by Benson to support his secretary even though he did not like his strategy. As soon as the veto was cast, Benson ordered an increase in support levels. This case is not discussed in this chapter because it did not change the nature of politics or policy programs. Furthermore, the case falls in the general analysis offered in this chapter -- that is, USDA officials were divided over the issue -- without any adding any new aspects of the development.

effect, farmers with the lowest incomes since 1942, the government with the largest CCC holdings for wheat, corn and some other commodities and record-high expenditures on farm support programs. Secretary Benson ended his tenure with a number of paradoxes:

> He [Benson] is a leading advocate of economy in an Administration which advocates economy, yet, he spends far more money in a year than any predecessor. Similarly, he decries politics, but he has been the most active campaign speaker for his party. He attacks interference and planning by the government, but he asked for (and got) the Soil Bank, one of the grandest of schemes for government interference and planning.[18]

1.2 Legislative Development in the 1960s

Secretary Orville Freeman inherited from his predecessor mounting surpluses and disproportionately high government spending on buying, storing and handling agricultural surpluses and a continuing decline in net farm income.[19] "National agricultural policy was in an evident cul-de-sac."[20] To handle the problems similar to those which faced Benson, that is to cut farm surpluses, reduce the cost of price supports and storage costs, increase farm income without increasing consumer food prices, Secretary Freeman proposed a different approach, that of "supply management controls".

Supply management was designed as a measure of extremely stringent production and marketing controls that would permit the government to balance supply and demand for farm goods in such a way as to keep farm prices up and to guarantee farmers a "fair" return on their

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[18] Wesley McCune, **Ezra Taft Benson: Man With a Mission**, Washington, D.C.: Public Affairs Press, 1958, p.3.

[19] For example, total carryover of corn stocks climbed to an all-time high of 1.8 billion bushels in 1960, the wheat carryover stood at 1.4 billion bushels, nearly all of which was held by the government. Net farm income dropped from $16 million in 1951 to $11 million in 1959. The value of surplus crop held in storage under price-support operation was expected to reach the unprecedented total of $10 billion in 1960. Farm works earned an average of 81 cents an hour, while factory workers earned an average of $2.29 and persons in food marketing an average of $2.14 in 1960. Per capita income of farm people averaged $986, or 43 percent of the $2,282 received by the non-farm population. In 1947-49, per capita farm income was 58 percent of per capita of non-farm income. From 1947-49 to 1960, average prices received by farmers fell 12 percent, while prices paid by farmers increased 20 percent. (USDA, **Agricultural Statistics, 1960, 1970**, p.437, p.485; "Soil Conservation and Crop Surplus," Editorial Research Reports, February 3, 1960, pp.81-94; Congressional Quarterly Almanac, 1961, p.106).

[20] Arthur M. Schlesinger, Jr., **A Thousands Days: John F. Kennedy in the White House**, Boston: Houghton Mifflin Company, 1965, p.657.

capital investment and labour.[21] Starting with the efforts to impose tighter production control and provide higher price supports, Secretary Freeman ended with a revised voluntary price control system embodied in the Feed Grain Act of 1961, the Food and Agricultural Act of 1962 and the Cotton-Wheat Act of 1964. The Food and Agricultural Act of 1965, consolidating and expanding the programs of the early 1960s, extended the existing acreage reduction and price support programs to feed grains, wheat and cotton: "a low level of support for market prices, coupled with supplemental payments to bring farmers a more adequate income than they could derive from market sales, plus a requirement that farmers retire from production a certain portion of their acreage in order to qualify for the supplemental payments."[22] The production reduction was tied with the acreage allotments, soil conservation diversion and other production restriction programs.[23] The 1965 act broke little new ground except to make some modifications in the traditional farm programs, yet it did reflect the awareness of policy makers that support prices had to be set at or near competitive world levels so that American farm products could compete effectively in world markets with minimum resort to export subsidies, and the costs of farm programs should be kept down.

In sum, under the eight-year Republican administration, more market-oriented measures were proposed and enacted, which in the end rendered necessary more government intervention and regulation. Under the eight-year Democratic administration, intensified government involvement was attempted but in the end agriculture moved in the direction of less government support and regulation. To assess this seemingly paradoxical development, to understand the distinction between the stated objectives and actual policies and to apprehend the continuity of the farm programs, we need to examine the policy making historically. The continuity of agricultural policy making is at least as significant as the substance of the policies themselves.

2. The Leading Role of the USDA

Studies of agricultural policy development in the 1950s and 1960s have emphasized either the partisan politics in Congress or interest group politics focusing on the role played by the Farm

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[21] Willard W. Cochrane, "The Continuing Debate -- Supply Management," Successful Farming, v.60, no.11, November, 1963, pp.32ff.

[22] Congressional Quarterly Almanac, 1965, p.114.

[23] agriculture sections in Congressional Quarterly Almanac, 1961-65.

Bureau in influencing the direction of farm policies.[24] The "farm-vote-minded" committee members in Congress were often blamed for the "half-hearted changes" toward the secretaries's goals and farm organizations for thwarting the administrations' efforts for change.[25] It is argued here that farm politics in the period was greatly affected by the politics within the USDA. Inconsistency and ambiguous commitment to change in the USDA affected other people's perceptions of farm problems and solutions. Two secretaries, Ezra Taft Benson (1953-1961) and Orville Freeman (1961-1969), their top policy advisers and the USDA as an established government agency were responsible for the policy alternatives developed and the type of farm politics going on at the time. The secretaries and their advisers were individuals, but their role can only be understood when they are treated as part of the established institutions. The salient characteristic of the USDA affecting farm politics and policies was the odd combination of the consistent and well-accepted belief within the organization that government intervention was needed in protecting and promoting the welfare of farmers and the agricultural industry, differences over the remedial measures needed to deal with mounting surpluses and increasing government expenditures and the lack of policy innovations. This section examines these characteristics to show the continuity of policies as well as the uniqueness of farm politics at the time.

2.1 The Secretaries of Agriculture

In the 1950s and 1960s, national politics was dominated by issues other than those of agriculture. Presidents Eisenhower, Kennedy and Johnson were preoccupied with the Cold War, the civil rights movement, the Vietnam War, the Great Society programs and other national and international issues. Agricultural policy issues neither caught the headlines of the media nor affected general elections greatly except those in some farm regions and states. As a consequence, all three presidents depended upon their agriculture secretaries to take the farm problems off their shoulders and, perhaps, to find some solutions for the persistent surpluses. Therefore, it is

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[24] David M. Tiffany, **Agricultural Policy-Making in the Eisenhower Administration**, Ph.D. dissertation, State University of New York at Binghamton, 1974; Hansen, **Creating a New Politics**; J. Roland Pennock, "Party and Constituency in Postwar Agricultural Price-Support Legislation," Journal of Politics, v.18, 1956, pp.167-210; "The Political Impasse in Farm Support Legislation," Yale Law Journal, v.71, 1962, pp.952-78.

[25] Ross B. Talbot, "The USDA Embarks on its Second Century of Service," Journal of Farm Economics, v.45, 1963, pp.497-516.

important for us to know the position, ideology, and policy orientation of the two secretaries and their top advisers.

Ezra Taft Benson was chosen as the Secretary of Agriculture by President Eisenhower at the suggestion of his brother, Milton Eisenhower, a former USDA official. Trained as an agricultural economist from Iowa State College and once the Executive Secretary of the National Council of Farm Corporative (NCFC), Benson carried on some of the tradition of his predecessors. For example, he endorsed farming and farmers[26] and agreed that "farmers will need the continued assistance of Government," and that "the guarding and improving of levels of living on American farms requires a program of storage and price supports to help assure stability of income."[27] Most top officials recruited by Benson were "representatives" of land-grant colleges and USDA extension services.[28] Together these partially guaranteed the continuation of government support programs and the exclusive policy agenda (we will come back to this point later). Meanwhile his ardently conservative and religious-economic philosophy of individualism and unregulated free enterprise system reversed the ideological orientation of the New Deal and War period and provoked constant conflicts with the agriculture committees in Congress and the New Dealers inside and outside of the USDA.

As the Secretary and leader of the agricultural policy community and a Mormon leader, Benson sent out some confusing messages. He was known for his dogmatic-religious conservative beliefs which directed much of the farm policy debate on ideological terms rather than on substance. He argued that farmers should be freed from government intervention and achieve price parity in the market place. He maintained that government support programs should be used

[26] Benson in his book, **Freedom to Farm**, said that, "We have always had a feeling that there is something basically sound about having a good portion of our people on the land. Country living produces better people. The country is a good place to rear a family. It is a good place to teach the basic virtues that have helped to build this nation. Young people on a farm learn how to work, how to be thrifty and how to do things with their hands. It has given millions of us the finest preparation for life." (**Freedom to Farm**, New York: Doubleday and Co., 1960, p.109) This belief was in coherent with the predominant belief of agrarian fundamentalism which emphasized farmers and farming as the backbone of democracy.

[27] Ezra Taft Benson, **Farmers at the Crossroads**, New York: The Devin-Adair Company, 1956, p.99, 100; CEA, **Economic Report of the President**, 1954, p.54.

[28] Benson chose Don Paarlberg, a professor from Purdue University as his top economic adviser, Earl Butz, also from Purdue as Assistant Secretary. J. Earl Coke, Assistant Secretary, was extension director in California on leave; C.M. Ferguson, Director of the Federal Extension Service and former extension director in Ohio. (Charles M. Hardin, "The Republican Department of Agriculture -- A Political Interpretation," Journal of Farm Economics, v.36, 1954, pp.210-27).

only as "disaster insurance" and a "safety-net" instead of as an encouragement to uneconomic production.[29] He called for "re-orientation" of national agricultural policy and programs so that they would fit "our free enterprise system."[30] His major political contention against the existing farm programs was that without economic freedom, farmers could not enjoy real political freedom. His conservative ideological edicts were fuelled by the fear of a spread of communism when "any and all government involvement in the economic life of the nation was subject to the charge of communistic."[31] The irony was that while opposing the federal support programs with his "moralistic pronouncement about the virtue of *laissez-faire* economics," Benson was aware of the necessity of "the firm hand of Government control in order to produce in a rational manner."[32] He argued that "authority for acreage control must be retained and must be used" and never hesitated to use his authority whenever it was possible to promote the welfare of farmers.[33] His apparently conflicting messages not only drew such bitter fire from conservatives and liberals of both parties that President Eisenhower had to come out and defend him in public[34] but, more importantly, it led farm politics into a state of affairs where philosophically there was a bitter struggle between the right and the left.

President Kennedy, with an "ineradicably urban" upbringing and a record of his urban-oriented votes on farm bills in the Senate, which had caused some trouble for his campaign,

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[29] Ezra Taft Benson, speech before the Central Livestock Association at St. Paul, February 11, 1953 (NAL); John K. Galbraith," Economic Perceptions and the Farm Policy," American Economic Review, v.44, 1954, pp.40-52; The point is not what he said but rather how he said it because many economists agreed that the government support programs should not be used as an encouragement for over-production.

[30] Ezra Taft Benson, **Cross Fire: the Eight Years with Eisenhower**, New York: Doubleday, 1962, p.603.

[31] Willard W. Cochrane and Mary E. Ryan, **American Farm Policy, 1948-73**, Minneapolis: University of Minnesota Press, 1976, p.30.

[32] Edward and Frederick Schapsmeier, "Eisenhower and Ezra Taft Benson: Farm Policy in the 1950s," Agricultural Policy, v.44, 1970, p.370; Ezra Taft Benson, "Freedom and Responsibility," Proceedings of the American Association of Land-Grant Colleges and State Universities, 70th Annual Convention, November 12-15, 1956, Washington, D.C., p.72.

[33] Benson maybe justifiably blamed Congress for not granting all the "support-shrinking" powers that he had requested but he did not always "use the powers that he had to limit price supports, e.g. he voluntarily provided generous Government price support for millions of bushels of corn raised outside his acreage-restriction programs." (Time, December 29, 1958, p.11; Hubert H. Humphrey, "Farm Surplus and Farm Income," in Quincy Howe and Arthur M. Schlesinger, Jr., **Guide to Politics, 1954**, New York: The Dial Press, 1954, p.21).

[34] Sherman Adams, **Firsthand Report: The Story of the Eisenhower Administration**, New York: Happer & Brothers, 1961.

wanted to choose someone as the Secretary of Agriculture who would have the similar liberal orientation as well as "the ability to withstand the pressures of one's staff, and to pursue long-range ... objectives in a practical way in face of all the obstacles that are interposed by the machinery of government."[35] His final choice was Orville Freeman, former Democratic-Farmer-Labour Party Governor from Minnesota. With a long-time, strong liberal record from a farm state, Freeman had the support of both liberal Democrats and farmers in the Midwest, who were traditionally Republicans, while as a former three-term governor, Freeman had accumulated sufficient experience in handling relationships within the executive and working with Congress. His continuing service as the secretary for eight years also ensured continuity of farm programs, as did Benson's.[36]

Secretary Freeman favoured an active role of the federal government in national economic affairs in general and extensive government control of agricultural production in particular. He believed that tighter production controls supported by higher levels of support were necessary to raise farm prices and reduce surpluses and thus reduce government expenditures. Instead of criticising farmers for piling up surpluses, Freeman extolled their abundant production and maintained that they continued to be at a disadvantage compared to the rest of the population. Thus, it was essential and imperative for the federal government to adopt aggressive measures to raise farm prices and incomes if a healthy national economy was to be achieved.[37] To ensure the success of such policies, the Secretary of Agriculture had to be granted more authority. The irony was that, like his predecessor, Secretary Freeman also claimed that his ultimate policy goal was to go back to the free market system. Yet, the programs -- providing sufficient incentives for farmers to take their cropland out of production in order to balance supply and demand, so

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[35] According to Sorensen, "Kennedy was 'unacceptable' to the Midwest ... because of his votes on farm legislation" in the Senate. (Theodore C. Sorensen, **Kennedy**, New York: Harper & Row, Publishers, 1965, p.84); Historian Schlesinger made a similar observation: "[Kennedy] had taken positions on farm policy as a Senator which made trouble for him when he became a candidate for the nomination; and the more he had studied the agricultural problem, the more he regarded it with a mixture of distrust and incipient despair." (Schlesinger, **A Thousand Days**, p.144; Carl M. Brauer, **Presidential Transitions: Eisenhower Through Reagan**, New York: Oxford University Press, 1986, p.75); In fact, Kennedy never showed any interests in agriculture. He once told liberal economist, John K. Galbraith, "I don't want to hear about agricultural policy from anyone except you and I don't want to hear about it from you." (John K. Galbraith, **A Life in Our Time: Memoirs**, Boston, 1981, p.357).

[36] The other two were: Secretary of State, Dean Rusk, and Secretary of Interior, Stewart L. Udall.

[37] George L. Mehren, Assistant Secretary of Agriculture, "Agriculture and USDA Policy," Vital Speeches of the Day, v.39, 1963, pp.155-57.

that farmers could operate in a free market system -- were devised in such a way that tighter control was necessary and short-term higher government expenditures inevitable.

This examination of the political orientation and policy preferences of the two secretaries suggests that their ideological differences and those of their administrations and parties led to bitter rhetorical debate over the direction of agricultural support policies among members of the agricultural policy community and in Congress in general. Meanwhile, their recognition of the necessity of farm-support programs and an agreement on the basic policy instruments to stabilize farm prices and incomes secured the continuation of the programs and ensured that the debate would be focused only on the specific provisions rather than the question of whether there should be any government involvement at all. Furthermore, despite their different ideological orientations, both Benson and Freeman treated farmers as their first clients and farm problems as something unique which could only be dealt with within the farm community. Neither was ready or willing to incorporate other issues into farm policy making or to subject the farm policy debate to a broader public debate.[38] In sum, in the 16-year span, the policy alternatives chosen by the two secretaries were narrowly focused on the welfare of farmers and farmers only.

2.2 Shuffling Top USDA Officials

To argue that the USDA was in charge of formulating and implementing farm policies is to emphasize not only the role played by the secretaries and their associates but also, more broadly, that of the USDA as an established organization. The USDA was able to decide the direction of farm policies and farm politics primarily because it dominated the resources available for policy formulation and implementation. These resources included personnel, expertise in information collection and analysis and the ability to influence public opinion[39]. With the

[38] For example, in general Secretary Benson was very political and very active in political campaign for the Republican party and was portrayed as a political animal who brought farm programs into a political debate. However, in reality, Benson himself strongly appealed non-political and non-partisan farm policy making. "American agriculture is not for sale to irresponsible bidders in the political auction ring," Benson told a group of farm leaders. "American agriculture is neither Republican nor Democratic -- its welfare must not be satisfied on the alter of partisan politics." (Ezra Taft Benson, address before the National Farm Institute, Des Moine, Iowa, February 17, 1956, p.13).

[39] "The Department of Agriculture has vast opportunity to influence public opinion." With various farm programs in place, some 270,000 persons cooperated and collaborated with the USDA in educating and supervising farmers in the policy implementation process. Being the beneficiaries of the farm programs themselves, these filed workers had every reason to advocate expansion of farm programs. Their direct link to farmers and the USDA make this close policy making community possible and successful. (Don

enactment of the government farm support programs since the 1930s, the USDA grew rapidly. From 1,000 employees in 1900, it grew to 94,000 in 1940, and by the beginning of the 1950s, it was only exceeded by Commerce, Interior, Post Office and Treasury in number of employees.[40] The combination of the number of employees and their first-hand knowledge regarding particular aspects of agriculture put the USDA in a commanding position as farm programs grew more and more technically complicated.

Recruiting competent agricultural economists into top policy-making positions in the USDA was a common strategy adopted by all secretaries to facilitate their control of the policy agenda. There was no exception in this period, and its use meant that deliberations over the farm-policy agenda would be limited to those primarily concerned with farmers and their welfare. As Seidman argues, it ensured their "way of expressing national commitment, influencing program direction, and ordering priorities."[41] Most importantly, to "make their preferences felt in structural outcomes,"[42] both secretaries reorganized the USDA within their discretionary authority. As political appointees, they also favoured their party's interests by dumping some and bringing in others.

"Organizations are institutions as well as instruments for leaders."[43] As instruments, they are not neutral. They are designed to further the objectives of their creators and are carriers of special missions, values and identities. When they no longer serve as the efficient and effective instruments for their leaders, reorganization is desired. As institutions, however, they are much more impervious to deliberate reorganization efforts. The immediate impact of a reorganization is that some elements of the organization will inevitably continue while others will serve the new purposes.

When Benson took office, many of the USDA's agencies were occupied by New Dealers. Two main agencies in charge of policy planning, formulation and implementation, the Bureau of

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Paarlberg, **American Farm Policy: A Case Study of Centralized Decision Making**, New York: John Wiley & Son, Inc., 1964, p.121).

[40] Charles M. Hardin, "The Politics of Agriculture in the United States," Journal of Farm Economics, v.32, 1950, pp.571-83; Hardin, "The Republican Department of Agriculture."

[41] Seidman, **Politics, Position, and Power**, p.15.

[42] Terry M. Moe, "The Politics of Bureaucratic Structure," in Chubb and Peterson, **Can the Government Govern?**, p.277.

[43] Johan P. Olson, "Administrative Reform and Theories of Organization," in Campbell and Peterson, **Organizing Governance, Governing Organizations**, p.236.

Agricultural Economics (BAE) and the Production and Marketing Administration (PMA), remained as strongholds of the New Dealers. To "facilitate Republicanophile interests moving in on farm policy,"[44] to reduce the influence of the increasingly politicized New Dealers remaining in the USDA, to create an impression of neatness and order within the USDA and to avoid embarrassment if differences surfaced publicly, in November 1953, Secretary Benson, using the "blank-check" authority granted by Congress earlier in the year to "transfer and recombine" all functions in the Department **at will**, announced a reorganization plan and abolished the BAE and PMA.[45]

Since the 1930s, as "***the*** (emphasis is added) over-all, technical program-planning agency of the Department," the BAE had concentrated on social research and program planning.[46] It had symbolic status as a reliable source of economic information in the U.S. and other parts of the world as well as being an advocate of particular policy decisions. But its active role in policy initiation, formulation and implementation angered those who did not want to see concentrated planning power because of their ideological beliefs and those who expected but failed to obtain the ***right*** answers from the agricultural economists of the BAE. "To those who were politically in opposition to the forces represented by the USDA, this BAE effort at land use planning was simply a trojan horse to be destroyed."[47] To politicians in both the executive and the legislature, the **right** answers -- the answers which would fit their general ideological beliefs and immediate political needs, such as getting reelected or capturing other government offices -- were much more important than objective analysis of the dynamic agricultural problems. Meanwhile, economists were not value-free, nor was their research, as many of them thought they were. They produced "a product of value" in their research, as Professor Schultz correctly pointed out. This means that the closer they were to a decision making circle, the more vulnerable they became to partisan political instability and more subject to changes in the configuration of the executive, Congress and other agencies. When the politicians thought that they could not get the right

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[44] Hardin, "The Republican Department of Agriculture," p.210.

[45] Hardin, "The Republican Department of Agriculture," p.213. Reorganization Plan No.2, enacted at the beginning of 1953, gave the Secretary broad authority to reorganize his Department. (Congressional Quarterly Almanac, 1953, pp.290-92).

[46] Paul H. Appleby, "An Administrative View," Journal of Farm Economics, v.36, 1954, p.8.

[47] Theodore W. Schultz, "Some Guiding Principles in Organizing Agricultural Economics Research," Journal of Farm Economics, v.36, 1954, p.19.

answers to problems from the agencies, they would adopt their popular instrument -- reorganization -- to "dump unwanted officials" or eliminate the influence of certain existing agencies.[48]

The Production and Marketing Administration, which was established in 1945 to concentrate and coordinate all functions of production and marketing, was eliminated because its power was also seen as surpassing that of the Secretary. In its place, the Commodity Stabilization Service (CSS) was established to handle production control and price support functions and the Agricultural Marketing Service to handle marketing functions. The Foreign Agricultural Service (FAS) was created to promote agricultural export. Finally, the USDA was reorganized into four branches, with each headed by an assistant secretary chosen by the Secretary: Federal-State Relations, Marketing and Foreign Agriculture, Agricultural Stabilization and Agricultural Credit.

As a result of dismantling the BAE, the USDA agricultural economists were scattered into various technical research agencies, such as the Agricultural Research Service, and other operational agencies, such as the Agricultural Marketing Service. Various scholars have evaluated this reorganization and have drawn different conclusions on its merits. Some have seen the BAE as the victim of conservative pressure from the Farm Bureau and its allies in Congress, for the reorganization much limited the economists' participation in policy formulation, especially that of those who had pursued liberal policies. Others have argued that the reorganization strengthened the research capability of the USDA, its specialists having more opportunities for research and program assistance and more funding from Congress.[49] The important point is that by dismantling the BAE, Secretary Benson was able to remove some incumbent New Dealers from high positions and this made it easier for him to rally necessary support from his officials. Yet, the reorganization was pursued to achieve ends like those of the earlier New Dealers, that is, to centralize the secretary's power in economic promotion, regulation and planning.

After the reorganization, the configuration of the USDA remained stable in the sense that another group of economists, who had been trained at land-grant system and shared with their predecessors the basic beliefs of farmers and farming, were brought in as political appointees.

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[48] Moe, "The Politics of Bureaucratic Structure," p.26.

[49] There was a debate on the advantages and disadvantages of the "dismemberment" of the BAE among USDA civil servants and economists. See Journal of Farm Economics, v.36, 1954, pp.1-21, 210-227; Douglas E. Bowers, "The Economic Research Service, 1961-1977," Agricultural History, v.64, no.2, 1990, pp.231-43.

Professor Don Paarlberg and Earl Butz from Purdue University, for example, were recruited as chief economic advisers respectively for the secretary and the assistant secretary, and both of them were directly responsible for the policy programs developed at the time. As trained economists working in the field for decades, these newly recruited political economists also shared with their predecessors the belief that farmers' interests were the ones they should promote and protect. In their whole career, whether inside or outside of the USDA, they never hesitated to admit that farmers were their first clients and defend the interests of farmers and the agricultural industry whenever they could.

Favouring an active and extensive government involvement in agricultural production and distribution and a shift of regulatory authority from Congress to the secretary and believing that an active role and a general consensus among economists on policy alternatives would be necessary, Secretary Freeman brought those sympathetic agricultural economists back to the policy making process. Taking advantage of the Reorganization Act of 1949, which allowed the Secretary to make changes on his department without new legislation,[50] Secretary Freeman in February, 1961, created a new position of Director of Agricultural Economics who would be in charge of the newly established Economic Research Service (ERS) and the Statistical Reporting Service. The ERS, an [illegible] economic research centre to the BAE, was designed to be a kind of policy-planning staff for the Director of Agricultural Economics, a major policy advisor for the Secretary and a major [illegible] and salesman of the USDA's policy proposals.[51] Willard Cochrane, professor of agricultural economics at the University of Minnesota and a former BAE member in the 1940s, was chosen as the first Director. The creation of the ERS put economists

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[50] Bowers, "The Economic Research Service, 1961-1977;" Mehren, "Agriculture and USDA Policy," p.157.

[51] In the following years, Office of Agricultural Economics became the major actor which developed and influenced the legislating of the supply management programs. In the 1950s and 1960s, there seemed to be a split of agricultural economists from two major land-grant colleges, University of Minnesota and Purdue University. Those from the former tended to serve for the Democratic Party and those from the latter served the Republican administration. Willard Cochrane, a professor of agricultural economics at the University of minnesota, got involved in politics as an advisor to Freeman when the latter was governor of Minnesota. Cochrane joined the Kennedy campaign as a farm policy advisor. Another professor was Walter W. Heller, a colleague of Cochrane at the university, serving as economic advisor to Governor Freeman from 1955-1960 and became Kennedy's chairman of the Council of Economic Affairs. Don Paarlberg and Earl Butz, both from Purdue University, became the Assistant Secretaries under Benson and Director of Agricultural Economics and Secretary of Agriculture under President Nixon and Ford.

once again in a strong position within USDA. "Almost immediately Secretary Freeman began relying on ERS to provide an economic basis for policy directions, much more than the previous administration had used such information."[52]

This analysis suggests several things. First, while the USDA conducted all the research on agricultural production and marketing, each agriculture committee in Congress had only ten staff at the time, managing the routine work. Its dependence on the USDA to provide policy analyses and policy alternatives was the main reason for the congressional agriculture committees to delegate authority to the USDA to formulate policies. When they discussed various policy alternatives provided by the USDA, using the analyses done by its research agencies, the agriculture committees in Congress did not have much leeway but to choose from the available lists worked out by USDA officials. As a consequence, their policy making capability was much limited. Moreover, the analysis shows that politics and economics are parts of one integrated system and experts cannot be shielded from politics if their research is expected to have any real value. The political game is not so neat that it is politicians who set up policy goals and experts who work out appropriate means to achieve the goals. Instead, government economists, advocating and pursuing what they perceive as economic efficiency and effective use of resources to maximize profits, are a part, and an important part, of the decision making process. They are vulnerable to political fire and cross-fire and changes in the constellation of political forces when their projections of production, supply and demand are not in exact agreement with what politicians want. Meanwhile, the nature of their professions and their close ties to the clients of their research ensure them a much longer life in policy making processes than most politicians. This results in the longevity of policy programs.

Secondly, the reorganizations of the USDA allowed Secretaries Benson and Freeman to reinforce one view over others within the Department and, in turn, to achieve internal consensus on the continuation of farm support policies. It demonstrates that effective functioning of the governmental machine can be achieved through conscious efforts of agency heads in (re)organizing it in a way to fit their desires. But, its success should not be exaggerated. Organizations are not only instruments for leaders, which can come and go as the result of legislation, executive fiat, administrative orders or internal reconstruction. They are also

[52] Bowers, "The Economic Research Service, 1961-1977," p.234.

institutions, which "define legitimate participants and agendas, prescribe the rules of the game, and create sanctions against deviations as well as establish guidelines for how the institution may be changed."[53] The USDA, as an established institution, has generated its own dynamics and rules of the game. "The point of view that agriculture's problems should be dealt with separately, both on an economic and a political basis, has led to the development of an unusual set of political arrangements for agriculture."[54] Within this set of arrangements, the predominant role of specialists in planning and decision making had been long acknowledged. Individuals might change, but the personality and identity of the specialists as a group remained. The ties developed between the USDA, its specialists and various segments of agriculture continued. The agricultural policy community thus remained intact in the sense that the same group of participants, policy agendas and policy making procedures, which by now had been long accepted as legitimate and effective, continued governing the functioning of this economic sector and its policy making. This is the power of the residual institution, as Tugwell once pointed out:

> In every crisis, formal and suitable public organizations take over the planning functions. When the crisis is past, there is reaction and most of what has been devised is scrapped. But each time something remains. By now, even in "normal" times, there are at least rudimentary institutions for creating a picture of the future.[55]

Finally, the study shows that both reorganizations reflected the desire to develop "a permanent, specialized organ within the office of the Secretary of Agriculture to be concerned with the larger issues of policy in their longer-term aspects,"[56] and a desire to develop a process which would and could systematically incorporate long-range technical research, analysis and planning with strong political support from the secretary and proper funding from Congress. Despite Benson's rhetorical and ideological dislike of centralized planning and a general trend of scepticism on government control of production and marketing, these practices, that had originated in the 1930s, seemed irreversible, at least not at that time.

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[53] Olson, "Modernization Program in Perspective," p.131.

[54] Engelbert, "The Political Strategy of Agriculture," p.376.

[55] Tugwell, "A Planner's View of Agriculture's Future," p.29.

[56] Banfield, "Organization for Policy Planning in the U.S. Department of Agriculture," p.31.

2.3 Consensus and Disarray among Agricultural Economists

The agriculture of the 1950s and 1960s was not that of the depression-ridden 1930s nor that of the war-stimulated 1940s. It was a dynamic agriculture in the midst of a technological revolution, producing for a peacetime market, which raised new challenges for political economists. Having seen the technological revolution hit in full force, economists and policy makers agreed that the existing legislation was unsatisfactory but could not agree on how it should be changed. The combination of the agreement on parity as goal and production adjustment as a tool and disarray on the terms of government involvement and support among USDA officials can partially explain the continuation of farm programs as well as impasses of policy making in the two decades, from the mid-1940s to mid-1960s. In agreement with some contenders at the time, this study challenges the argument that "the assumed power of the farm bloc is what has kept legislation in the same tracks for 27 years."[57] It is argued that the roots of the persistence of farm programs and farm politics went deeper than partisan and interest group politics, bureaucratic bungling or agricultural fundamentalism.

In observing the political and economic preferences and orientations of the economists of the USDA and the land-grant college system, who "originated most of the basic ideas around which political groups...later polarized themselves,"[58] certain conclusions may be reached that have a bearing on this discussion. First, they seemed to have held diametrically opposite positions in terms of farm problems and solutions. One group reversed its liberal views and went back to the notion that the free market was the only proper norm, or goal, and the one to which agriculture should return. They argued that it was desirable "to get rid of price support, to end government interference, and to get back to free market."[59] The other group of economists remained strong advocates of an extensive national economic planning and regulation in general and argued for the necessity of continuing government support programs to defend and strengthen

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[57] Karl Brandt, "Guidelines for a Constructive Revision of Agricultural Policy in the Coming Decade," Journal of Farm Economics, v.43, 1961, p.10.

[58] Walter W. Wilcox, "Social Scientists and Agricultural Policy," Journal of Farm Economics, v.34, 1952, p.173.

[59] Galbraith, "A Farm Plan with No Price is No Plan at All;" Galbraith, "Economic Preconceptions and the Farm Policy," pp.40-52; The Farm Foundation, **Turning a Searchlight on the Farm Program**, Chicago, 1952; D. Gale Johnson, "Government and Agriculture: Is Agriculture A Special Case?" Journal of Law and Economics, v.1, 1958, pp.122-136.

the bargaining power of farmers in specific.[60]

A closer examination of the policies and their development reveals a consensus between these two groups on the need for government support and protection. No longer did many economists or politicians support the prospect of a completely competitive, completely unregulated farm economy. Nor was a government farm program regarded as a temporary or an emergency measure, to be employed until the return of normal time. It was agreed that one consequence of the aggregation of bargaining power in business and labour was to rule out, in all likelihood, any substantial and continuing support for a return to a complete free system of agriculture.[61] While seeing a return to the market system as the ultimate goal of agricultural policies, all factions professed agreement on broad goals such as stabilization, maybe an increase in farm prices and incomes, reduced government expenditures, full utilization of resources and maximum freedom for farmers. As a consequence, they all recommended heavy government-involvement programs to achieve the policy objectives. The realistic alternatives for them were marginal changes around the edges of the existing structures, and the focus of their policy planning remained for the most part on tinkering with different support programs to ameliorate the strong production incentives that they created. The functional meaning of these goals, in sum, varied according to the prescribed means to achieve the goals.

Finally, "the failure of government to develop more effective programs of adjustment and accommodation to the changing structure of agriculture is due perhaps not so much to politics as

[60] The first group was represented by Don Paarlberg, the chief economist of the USDA, and Earl Butz, Assistant Secretary of the USDA, under Benson. The second groups was represented by John Galbraith, a Harvard professor in economics serving in the Kennedy administration, and Walter Wilcox, a veteran agricultural economist working for the Library of Congress.

[61] Joint Economic Committees, **Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability**, 85th Congress, 1st Session, November 22, 1957, Washington, D.C. GPO; The National Grange, **Summary of National Legislative Policies and Programs of the National Grange**, 1951-1958.

In a Gallup poll conducted among farmers during February 22-27, 1953, some 65% agree that the government should guarantee farmers a ceratin price for their products, while only 29% disagreed. On August 14 the same year, wheat growers were offered an opportunity to decide whether there would be a reduction of acreage allotments from 68 million acres which they had harvested in the previous year to 62 million acres set up by the law several days earlier with production control, they approved production control and acreage reduction for 1954 in a ratio of almost 7 to 1. (**The Gallup Poll: Public Opinion, 1935-1971**, New York: Random House, 1972, p.1132; Benson, **Cross Fire**, 1962, p.145).

to the lack of expert knowledge," admitted these experts.[62] Farming is a complex industry and the agricultural technical revolution which had started during the war period raised new policy challenges to policy planners. Instead of working out coherent policy programs, a striking signal in the period was that the land-grant colleges and other research agencies in the USDA were working to increase production by helping farmers adopt new technologies, while the USDA and especially its political economists were trying to reduce it to balance supply and demand and thus to stabilize prices and incomes. Inadequate understanding of the changed economic situation and the contradictory policies were at least as much responsible as any political reasons for the continuation of the farm programs and their failure. The important point in this study is that to give the central role to the USDA in directing farm policies and farm politics did not mean that the policies were always successful in solving farm problems. It only emphasizes the continuation of the policy programs despite the changed and changing political and economic environment. Examining the policy alternatives proposed by the two administrations will help us understand this seemingly contradictory development.

For Benson and his associates in the 1950s, the free market system was the means as well as the end. They argued that if farmers were encouraged to produce for the market, supply and demand would balance eventually and with reduced surpluses, farm prices would rise and stay high eventually. Yet, since government support programs had been in place for two decades, to help farmers readjust their production to the market demand government assistance was still needed and more varieties of support programs would have to be developed. Thus, despite so much talk about individualism and the political and economic freedom of farmers, the Eisenhower administration never proposed an elimination of farm support programs. What was proposed in its early days was a transfer from the war-time fixed support program to a flexible one and later more efforts on government assistance in surplus disposal.

Not long after taking office, four policy preferences were clearly stated by Secretary Benson, which included: 1) early replacement of high, mandatory price supports with a system of flexible supports, designed to put a floor under prices of storable commodities; 2) extension of some form of protection for producers of perishable commodities; 3) vigorous efforts to

[62] W. Robert Parks, "Farm Policy and the Role of Land-Grant Institutions," in **Second Annual Farm Policy Review Conference**, Agricultural Policy Institute, North Carolina State College and Centre for Agricultural and Economic Adjustment, Iowa State University, November 1962, p.43.

expand the foreign market for American agricultural products; and 4) restriction of imports of commodities currently stored in large amount.[63] The first policy option was reflected in the enactment of the 1954 farm act and the presidential veto of the farm bill in 1958. The third was signified in Public Law 480.

Flexible support programs were not new at the time. The 1938 Farm Act, which laid down the foundation for government support for the next half century, was a voluntary and flexible support program. By the end of the Korean war, most agricultural economists opposed the system of high mandatory price supports and would have liked to have it superseded by a flexible support system as soon as possible. They included many liberals, such as former Secretary Wallace, one of the architects of the New Deal farm programs. Wallace supported a transfer from the rigid and high supports to flexible ones on the grounds that "it was a 'foolish waste' to produce for nonexistent markets,"[64] an argument he had held since the late 1920s. Most liberal economists at the time, such as Galbraith and Wilcox, supported the idea to return to a peace-time flexible farm support program. What the New Dealers opposed was "Benson's peculiar penchant for getting himself an enemy of the dirt farmer."[65] The case suggests that it was mistaken to argue that the successful enactment of the flexible support system in 1954 was a result of the political pressure from the Farm Bureau and the Republicans in Congress. When the technical experts holding policy-making positions in the USDA and those deeply involved in policy research and planning spoke with a concerted voice in supporting a shift, they in reality limited other policy options for politicians in Congress and farmers and farm groups, who heavily depended upon the experts for policy innovations. Meanwhile, the fact that no fundamental shifts of farm programs occurred can only be understood as the lack of policy innovations to deal with increased productivity.[66]

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[63] Ezra Taft Benson, talks to the U.S. Chamber of Commerce, April 29, 1953, (NAL); U.S. News & World Report, March 6, 1953; **Public Papers of President Eisenhower**, 1954, pp.23-39; Ezra Taft Benson, "Should 'Flexible' Price Supports Be Adopted for Basic Farm Products?" Congressional Digest, v.33, no.4, April 1954, pp.110ff.

[64] Schapsmeier, "Eisenhower and Ezra Taft Benson," p.373.

[65] Ibid.

[66] The adoption of the flexible support system was praised by some as a fundamental change of the farm programs. In fact, it was only the modification of the existing farm programs, as Representative W.R. Poage (D-TX) explained, "What is the difference in principle between 90 and 75? It is merely a question of arithmetic. There is no principle involved in the choice of figures ... we can argue about what the level of support should be, but that is not arguing principle; that is merely arguing about details ... So, let us

After the flexible price support programs were enacted in the 1954 farm act, there was a drastic surge of surpluses which brought down farm prices and incomes and, in turn, affected the political life of many politicians. In the mid-1950s USDA officials decided to expand the soil conservation program already on the books to boom farm prices. While they preferred maximization of use of resources, many economists in the USDA and the land-grant colleges agreed that farmers' excessive production capacity had to be regulated in order to have a profitable farming industry. Their reluctance (because of their ideological preference for freedom and individualism), and also their awareness of the necessity, to recognize the problem of over-production was well reflected in the debate over the Soil Bank programs.

The combination of a desire to protect farmers and their welfare and an endorsement of political freedom and individualism was eventually translated into specific policy programs. One of them was the Soil Bank programs. The Soil Bank programs were designed by the USDA to achieve the political goal of freeing farmers from government control and the economic goal to stabilize farm prices and income. It was one of the most effective and, yet, most regulatory, program in agriculture. That is, farmers would not be eligible for government support unless they participated in soil conservation practices -- taking cropland out of production or shifting crops to soil-building ones. Much of this feeling was translated into the PL 480 programs also, which were promoting export dumping instead of commercial sales, which economists advocated. Many wondered at the end of the 1950s whether Benson had hindered or helped his pronounced aims. Much of this wonder can only be understood when we understand how political economists perceived farm problems and what solutions they recommended. As Benson's economic advisor, Don Paarlberg, later explained, "a major reason for the failure has been the inability of the economist to make clear to himself, to the legislator, and to the public the long-run as well as the short-run consequences of the programs that were proposed."[67]

For the liberals who took office in 1961 with Secretary Freeman, "the free market was never any blessing for the farmer; the ages of its rule were recurrently ones of hardship and even

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not fool ourselves that we have any great debate here about principle. WE simply have a debate about the practicalities of maintaining a sound farm program. There can be honest differences about what is the most desirable from a practical standpoint but do not let us try to take a 'holier than thou' attitude." (Congressional Record, 1954, p.9374).

[67] Paarlberg, **American Farm Policy**, p.106.

disaster for the man on the land."[68] It was argued that without government assistance to help farmers gain balanced bargaining power in an increasingly noncompetitive economy, organized actions by farmers in group-controlled production and marketing could hardly succeed.[69] The guidelines provided by Freeman's chief economic adviser, Cochrane, was the **ABCD** program in agriculture.[70] To achieve these broad policy objectives, Freeman requested that more discretionary authority be given to the Secretary of Agriculture and asked for increasing government control over production and marketing in order to reduce government-held surpluses. Cochrane believed that the previous administration had kept price supports too low to ensure farmers an adequate income, but high enough -- and with too few production controls -- to saddle the Department with budgetary expenses second only to the Department of Defense. The farm programs advocated and adopted by Benson, in sum, encouraged production, overburdened the federal government, overbenefitted commercial farmers and thus widened the gaps between the rural haves and have-nots. "For a change, farming must move into the twentieth century in the marketplace -- as it has already done in technology -- and be furnished an arsenal of economic weapons similar to those long possessed by industry."[71]

The program proposed by Cochrane was known as the "supply management" program which would "harness and use our productive capacity in line with our need" and "provide the machinery for reducing the stocks of grains to adequate stabilization and security levels and for

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[68] John K. Galbraith, "A Farm Plan with No Price is No Plan at All," Co-Op Grain Quarterly, v.15, June 1957.

[69] Ross B. Talbot, "The USDA Embarks on its Second Century of Service," Journal of Farm Economics, v.45, 1963, pp.497-526; Galbraith, "A Farm Plan With No Price Is No Plan At All;" Galbraith, "Economic Preconceptions and the Farm Policy," pp.40-52; John K. Galbraith, "Countervailing Power," American Economic Review, proceedings of the 66th Annual Meeting of the American Economic Association, May 1954, pp.1-6; Michigan Agricultural Experiment Station and Michigan Cooperative Extension Service, **Agriculture in an Uneasy World: Forum with the Five Past Secretaries of Agriculture of the United States**, 1961 (NAL); **Farm Policy in the Years Ahead: A Report of the National Agricultural Advisory Commission**, Washington, D.C., November 1964.

[70] A -- to make maximum use of the **abundance** at home and abroad; B -- to seek **balance** between production and demand; C -- **conservation**, where land and water were not needed for food they should be diverted for other purposes; and D -- **development** of human resources and rural community. (Cochrane, "The Continuing Debate -- Supply Management," p.32).

[71] quote from Hans Landsberg, "A New Approach to the Farm Problem," The Reporter, v.26, no.8, April 12, 1962, p.35.

maintaining the income of farm people."[72] The reasoning behind it was that if ever agriculture was to get back on its feet, to get back to the free market system where the principle of supply and demand worked, the surpluses hanging over the head had to be systematically reduced with tighter and more government control and regulation. As a consequence, the program itself aimed at an ultimate return to the market system, but it "imposed such a strict system of production control that it became a political symbol of the very antithesis of a free market."[73]

Many economists, liberal as well as conservative, were very sceptical about the program and were not prepared to accept a type of thoroughgoing and active collaboration which would provide permanently for price fixing and state trading of the products of agriculture. The logic of economic individualism, embodied in the family unit of economic functioning, endured as a central piece of agrarian fundamentalism which set the limits on how far government could go in regulating this economic sector. Moreover, "supply management, in fact, is the negation of everything that economics stands for, namely, greater output of saleable products, efficient allocation of resources, and recognition of interdependence."[74] Having seen productivity and surpluses growing at the same time, policy designers, makers and takers were willing to take tougher measures to reduce production. This outlook was embodied in the 1961 Emergency Feed Grain Act. Yet, political and economic individualism still had a stronghold in the farm community, and agriculturalists, farmers, farm organizations and others involved in this policy area were not ready to give up their freedom to move to a "greater freedom." This was indicated in the farm referendum of 1963, in which wheat growers rejected the principle of higher price support accompanying tighter production controls through mandatory acreage reduction.[75]

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[72] Orville Freeman, "Agriculture at the Crossroads," Journal of Farm Economics, v.44, 1962, pp.1162, 1164.

[73] "The Political Impasse in Farm Support Legislation," p.971.

[74] H.S. Houthakker, "Discussion: Principles of Economic Policy, Consistent and Inconsistent: Economics of Our Present Farm Price Support Policy," Journal of Farm Economics, v.45, 1963, p.353.

[75] Supply management was incorporated into an omnibus bill for wheat which required the Secretary abolish 55 million acre minimum national allotment for wheat, which had established in 1955, beginning in 1964, and offered farmers two alternative options to be decided by referendum in 1963. The first option continued marketing quotas and penalties for planting above the allotment, which would be set up by the Secretary of Agriculture, with wheat certificate payments to producers to make up the difference between loan rate and total support. Certificates based on the portion going for domestic food consumption were valued higher than those for the portion going for export. The amount of wheat on which farmers received certificates would be supported between 65 and 90% of parity. The second option provided no penalties for planting excess of the allotment but provided support at only 50% of parity for wheat produced by farmers planting within their allotment.

In conclusion, both the Eisenhower and Kennedy administrations recognized that the major problems threatening farm income and farm prices were overproduction and resulted piling-up surpluses. Both acknowledged that farmers needed continued assistance from the government. That government had a responsibility to erect productive and distributive structures and practices that would regulate or heavily condition the individual farmers' business activities in order to maintain economic security was something few disputed. Yet Benson sought economic stability and full parity of income for American farmers by reducing the role of government in administering agricultural production and marketing and sending farmers back to the "free market" system, while Freeman tried to do so by increasing government regulation and control. By the end of the 1960s, "payments to farmers [had] become an integral part of the market-oriented farm policy."[76]

One reason the debate over agricultural policy sounded so confusing and was cast as one of government regimentation versus the free market was because of the mixed messages sent out by the policy designers and the strong ideological values of the two secretaries as well as their views of economic efficiency. While being apprehensive about a move toward the free market, they would not accept agricultural regimentation because of a residual belief in freedom. The combination of the desire to maintain maximum individual freedom and the recognition of necessary government planning and regulation restrained, to a large extent, how far each group could go in advocating their preferred policies. Therefore, it was not surprising to see that by the end of the two decades the government price-support and protection programs were accepted not as something against basic principles of agrarianism, such as individualism, but as something upholding them and something which would help achieve internal consensus among people concerned in this economic sector and make issues simpler for the public to understand and

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On May 21, 1963, over 1.2 million farmers went to the polls and only 47.8% voted "yes" to the control program for the 1964 wheat crop, far less than the required two thirds of the votes. It was the only time farmers had failed to approve wheat controls since they were first instituted for the 1941 crop. (John Strohm, "The Farmers Vote for Freedom," Readers' Digest, September 1963, pp.95-99; Don F. Hadwiger and Ross B. Talbot, **Pressures and Protests: The Kennedy Farm Program and the Wheat Referendum of 1963**, San Francisco: Chandler Publishing Co., 1965) In addition to the individualism, there was enough reason for farmers to believe that government would not let them to live with the second alternative -- reducing the price support level to as low as 50% of parity because year after year an increasingly urban Congress demonstrated its willingness to consider and to enact constructive farm legislation against organized opposition. (John A. Schnittker, "Farm Policy -- Today's Direction," Journal of Farm Economics, v.48, 1966, p.1092).

[76] Schnittker, "Farm Policy -- Today's Direction," p.1094.

accept.[77] Furthermore, given the depth and complexity of agricultural problems and policies to deal with the problems, when this group of well-trained and best informed "thought leaders" were determined to continue the farm programs, the possibility for achieving radical changes on the existing policies were quite remote.

3. Group Politics or Statist Leadership?

This section examines the role played by farm organizations and especially their relationship with the USDA in the agricultural policy-making process. It is to confirm the argument that "networks of farm groups and related agricultural interests do influence policy, but on neither the right, nor the left, do they dominate agricultural policy."[78] It further argues that farm politics was much affected by politics within the USDA. The direct relationship between the USDA and farmers continued and expanded into a kind of "buddy system," in which government agencies not only defended but also advocated an expansion of the farm programs in place[79] by taking the lead in controlling the policy agenda and directing the policy-making processes.

Examining the development of policies and policy making, it is argued that, for the most part, the agricultural policy-making process was closed to other sectors in society. The interest groups active in legislative formulation were those directly involved with agriculture -- producers of agricultural commodities, processors of these commodities and manufacturers of farm equipment. Interests outside the sphere of agriculture could hardly be seen. Among these groups, the most important participants were confined to those representing the larger commercial farmers. Even when the policies affected the well-being of other groups, such as many small town businessmen in the Soil Conservation programs or urban welfare recipients of the Food Stamp program, their voices were seldom heard in agricultural policy making.[80] Conscious

[77] John A. Schnittker, "Economic Fundamentalism -- Its Relation to Agriculture," Journal of Farm Economics, v.44, 1962, p.1213; Oscar Heline, "Farmers Should be Concerned," Farm Policy Forum, v.6, no.3, March 1953, pp.17-18; Donald R. Murphy, "Do We Need a Government Farm Program," Farm Policy Forum, v.6, no.6, June 1953, pp.5-8.

[78] Willard W. Cochrane, "Discussion: Farm Political Power and the U.S. Government Crisis," Journal of Farm Economics, v.40, 1958, p.1659.

[79] Paarlberg, **American Farm Policy**, p.116.

[80] For example, almost all farm groups supported the Soil Conservation program because it added to the income of individual farmers and enabled them to hold onto their land until it could be put to profitable use. However, since the farmers who participated the program put his whole or part farm into the reserve

selection of participants by the USDA was to a large extent responsible for the exclusive policy making process. Moreover, when the organizational structure in agricultural policy making met few challenges from and remained unpenetrated by "outsiders," farmers and farm organizations had the luxury to fight among themselves and emphasize their differences rather than their substantial areas of agreement. Their "uncompromising" disagreement much weakened their political influence for they had to depend upon the USDA for incorporating the differences.

The agricultural policy community was supported by norms which placed a great deal of faith in administrative expertise and the USDA as legitimate and effective in representing and safeguarding farm interests. The USDA not only held the necessary technical expertise and authority for the development and welfare of the agricultural industry, it also exercised direct influence over the activities of farm organizations. In challenging the contending interests of other policy communities, such as those of labour, consumer or other social groups, it mobilized biases of the community by articulating grievances and transforming them into viable issues that required government actions. Inside the community, it utilized numerous measures in hand to pursue its desired policy objectives, such as catering to particular groups but not others or pitting them against each other or forcing them to unite. "The unique thing about public authority is that whoever gets to exercise it has the right to tell everyone else what to do, whether they want to do it or not."[81] This is the nature of public authority whose rights and resources put it at the centre of politics. Three questions are examined in the following: the USDA's efforts to rally support, the division among farm organizations in the 1950s, and their unity in the 1960s shaped by USDA's strategies.

3.1 Mobilization of Support

Creation of a new agency is a creation of power which can make it easier for the creator to change the locus and form of politics and manipulate and promote affected interests. Since consultation is considered to be a prerequisite for democratic administration, institutionalizing the

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no longer needed bank credit and stopped purchasing seeds, fertilizer and farm machinery, many small town businessmen raised serious opposition which was never taken serious consideration by members in the agricultural policy community. The same situation with the poor who were affected by the Food Stamp program.

[81] Terry M. Moe, "Political Institutions: The Neglected Side of the Story," Journal of Law, Economics, and Organization, v.1, 1990, p.221; Terry M. Moe, "The Politics of Structural Choice: Toward a Theory of Public Bureaucracy," in Organization Theory, ed. Williamson, 1990, pp.116-153.

advising role of clients is one way to maximize the department's legitimacy in controlling the policy-making process. Employing advisory commissions to capture and contain the opposition is one convenient way for the executive to achieve this goal. This is the case with the creation and development of the National Agricultural Advisory Commission (NAAC).

To ensure favourable consultation and to seek "the greatest possible cooperation in the development of policies and programs for American agriculture, from farmers themselves, from farmers' organizations, and from the Congress of the United States,"[82] the Eisenhower administration, at the suggestion of the USDA, established the NAAC by Executive Order No. 10472 on July 20, 1953. It consisted of 18 members, 9 from each political party and two-thirds of them had to be farmers. Since the members were chosen by the Secretary, their party and organizational affiliation would not make much difference, since the secretary was able to find his sympathizers from both parties and from all farm organizations. Both Secretary Benson and Freeman made sure certain groups and actors were included and others excluded from the policy-making process by appointing their sympathizers to the NAAC.[83] As a result, while those who were kept outside found it difficult to make their voice heard in the process, those who were included in the consultation circle found their freedom significantly reduced instead of being increased. "What the government basically wants from advisory committees is not 'expert advice', although occasionally this is a factor, but support."[84] Included in the policy consultation

[82] Congressional Record, 1961, p.1609.

[83] For example, under Secretary Benson, vice president of the Farm Bureau, Romeo Short, was first chosen to serve at the NAAC, then was appointed as the Assistant Secretary of Agriculture. Things changed when Freeman moved into office. The Farmers Union's chief lobbyist and two editors of the Washington Newsletter, an official publication of the Farmers Union, were first included into the NAAC and later appointed as USDA officials. (The head of the Washington office of the Farmers Union, John Baker, was appointed as the Director of Agricultural Credit Service and later as Assistant Secretary of Agriculture. Farmers Union's former publicist, Robert Lewis, became an adviser to Secretary Freeman on dairy policy with a formal position as Deputy Administrator of Agricultural Stabilization and Conservation Service (ASCS), in charge of price supports [John A. Crampton, **The National Farmers Union: Ideology of a Pressure Group**, Lincoln: University of Nebraska Press, 1965]). Freeman also appointed John P. Duncan, Jr., president of the Georgia Farm Bureau Federation, to be Assistant Secretary. The latter "had been one of the leaders in a 15-year-long rebellion by several Southern state groups against the national Farm Bureau's move away from price supports." (Hadwiger and Talbot, **Pressures and Protests**, p.35).

Such conscious exclusion of opposition from the decision making circle was well recognized by farm organizations. It was commended, "with 1953, the Farmers Union was on the outside looking in; the Farm Bureau darling was in the office ... The advent of the Kennedy Administration brought an influx of Union men into the Department of Agriculture." (Crampton, **The National Farmers Union**, p.174).

[84] Seidman, **Politics, Position, and Power**, p.280.

process, these groups found that "the advisory committee and similar devices of consultation may be more handicap than an advantage."[85] The choice of being included or excluded in the secretary's control became one structural power to ensure the continuation of the policy agenda and success in policy making.

Furthermore, one-third of the NAAC's membership was to be either political appointees in the USDA or agricultural specialists from land-grant colleges. Since the NAAC was in charge with reviewing policies and farm programs within the jurisdiction of the USDA and with advising the secretary regarding these programs, those farmer members who specialized in only one or two products and lacked experience in other areas, did not have much choice but to submit their views to those of the political appointees of the USDA, such as Assistant Secretary Don Paarlberg, the Secretary of the NAAC, and its Chairman, William I. Myers, Dean of the Agricultural College at Cornell University. The latter became the centre of the policy making process because of his political position and expertise. As political appointees, these people "must tailor their advocacy of market methods, efficient resources use, and other economic approaches to the political environment in which they work."[86] This means that frequently political concerns had to outweigh their economic evaluation of specific policy proposals. Meanwhile, to legitimize the decision-making authority of a technically trained staff is one way to establish a more tightly constrained policy-making process and thus minimize the political costs of making decisions.[87] Hence, this reform centralized power of decision making and enhanced the role of USDA officials under the guise of pursuing democratic principles. It established a stable policy environment within which group politics was closely connected to that of the government agency: consensus and disagreement of the political economists of the USDA were able to set the direction of farm politics. In doing so, the clientele relationship, which was established in the 1930s, was institutionalized, routinized and channelled into a route designed by USDA high officials.

The "process of selection and integration is often a decisive element in the setting up of

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[85] David B. Truman, **The Governmental Process**, New York: Alfred A. Knopf, 1964, p.461.

[86] Robert H. Nelson, "The Economics Profession and the Making of Public Policy," Journal of Economic Literature, v.25, 1987, p.50.

[87] J.M. Finger, Keith H. Hall and Douglas R. Nelson, "The Political Economy of Administered Protection." American Economic Review, v.72, 1982, pp.452-66.

policy communities."[88] By including some groups in the decision making circle, the government recognizes some and denies others and, therefore, legitimizes its partners. In turn, it legitimizes its own position in deciding policy directions as well as legitimizes its preferred policies. A limited number of participants with some groups consciously excluded can ensure the consistency of policy agendas and continuation of policy-making procedures. Moreover, policy consultation is not shared decision making because the result of consultation can be accepted or rejected at the discretion of decision makers. Finally, consultation can be conducted under the threat of unilateral action on the part of government, should negotiation break down. Thus, the question of inclusion and exclusion is important for policy community analysis in identifying and mapping a distinctive characteristics of a policy community.

3.2 Division among Farm Organizations

Farm politics in the 1950s was often characterized by division among farmers and farm organizations, "with the line of cleavage sometimes running through the middle of the family itself."[89] To understand the division of farm organizations requires an examination of the political and economic environment in which they functioned. Several factors contributed to the division. One was that in the 1950s there was no need for farmers and farm organizations to bargain with organized labour, environmentalists or consumer groups.[90] The economy in general was doing well and the country was willing and able to afford an expansion of farm programs. When there was no threat from outside, policy community members, who shared both common and conflicting interests, fought among themselves for different policy pursuits. "It may appear that farm groups differ more than they agree on farm policy proposals ... However, as in a

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[88] Yves Meny, "The National and International Context of French Policy Communities," Political Studies, v.37, 1989, p.392.

[89] Adams, **Firsthand Report**, p.219.

Even the agriculture committee members in Congress complained about the division: "We have at least 57 different varieties of opinion on farm legislation. Major farm organizations are in disagreement, and there is also great disagreement among members of Congress. It is very difficult even to find farmer neighbours in agreement as to the proper type of legislation that should be approved by Congress to solve the farm-surplus problem." (Congressional Record, 1956, p.6138).

[90] The twin problem of high productivity and inelastic demand became a blessing for policy makers while consumers found themselves so favoured with falling food prices. If food prices were relatively low to begin with, urban consumers scarcely noticed when the government interventions were furthered to slow the rate of the fall of food prices.

normal family, differences are most apparent when the family is getting along fairly well."[91] Moreover, they differed about desirable means to achieve their shared goals rather than any substantive issues. There was a consensus that government price supports and production controls would continue; the difference was about at what level the supports should be set and on what terms there should be production controls.[92]

This is important because closedness of the policy-making process was essential for farmers to maintain their privileged position. When farmers and their organizations were divided by their commodity or regional interests or by their alliances with other groups in society, there was a tendency for them to turn to the specialists in the USDA or land-grant college system, who were considered more impartial than their representatives in Congress, in order to reach some kind of agreement. This tie was further entrenched with the implementation of various commodity programs which were under the charge of the respected agencies. "These ties have enabled farmers to partially circumvent established channels in acquiring assistance and aid."[93] Since all factions of farm organizations selected their policy options from the lists offered by the USDA, the latter's consensus or disagreement inevitably was reflected in farm politics.

The division among farm organizations to a certain degree weakened their political influence, especially when they emphasized their different ideological orientations. As a continuing phenomenon from the late 1940s, farm organizations associated themselves with political parties. The Farm Bureau aligned itself with those conservative societal groups, such as the U.S. Chamber of Commerce, the American Medical Association, and the National

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[91] Walter W. Wilcox, "Farm Policy Proposals of Various Farm Groups," in **Southern Agriculture: Its Problems and Policy Alternatives**, seminar for Southern Agricultural Leaders, North Carolina State College, 1961, pp.181-88.

[92] A good example to show this was the position taken by the Farm Bureau in the 1950s. The Bureau, which was well known for its conservative orientation, argued for great reduction, if not total elimination, of government involvement in economy. Yet, it argued that government involvement in agriculture was not only needed but also should be strengthened through price supports, acreage allotment and marketing quota system if the industry was going to survive in a competitive economy. This was shown in the testimony given by Allan Kline, president of the Bureau in 1954. He suggested to the Senate Agriculture Committee that there should be 90 percent parity price supports when marketing quotas became effective for any commodity, and with flexible price support system into effective, the government should also have a tighter control on production and marketing by issuing acreage allotment and marketing quotas. His major argument was that farmers needed government price supports to compete with other economic sectors and without acreage allotment and marketing quota system (especially the latter), the flexible price support system would not work. (Allan B. Kline, statement in **General Farm Program**, hearings before the Senate Committee on Agriculture and Forestry, March 10, 1954, PartI, p.198).

[93] Engelbert, "The Political Strategy of Agriculture," p.377.

Association of Manufacturers. "These organizations used a common vocabulary to express a common conservative ideology, each supporting the others' action programs, and all entering the electoral process through the mechanism of the Republican Party (except in the one-party Democratic South)."[94] The strong conservative orientation of the Farm Bureau, on the one hand, alienated itself from congressional agriculture committees and, on the other hand, split itself internally.[95] The division among the Bureau's rank and file allowed politicians and USDA officials to challenge the Bureau's legitimacy in representing farmers. At the other end of the political spectrum was the Farmers Union, which was aligned with the Democratic Party in general and Secretaries Brannan and Freeman specifically, both of whom were known for their "sincere" liberalism. Ideologically, the National Grange took a stand with the Farm Bureau, while, in terms of policies, it supported most policy proposals of the Farmers Union. Since no one farm organization was able to speak for the farm community as a whole, the USDA was able to assume this role.[96]

When farm problems were dramatized into "a bristling political issue,"[97] the debates over the problems focused on the ideological differences and the policy making process became a political conflict of "ideas versus ideas," it was very difficult for various groups to find a

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[94] Hadwiger and Talbot, **Pressures and Protests**, p.60.

[95] John Mark Hansen, **Creating A New Politics: The Evolution of an Agricultural Policy Network in Congress, 1919-1980**, Ph.D. dissertation, Yale University, 1987.

Headed by President Allan Kline, the national Farm Bureau endorsed the principle of substituting the 90 percent high price supports by the sliding scale supports from 75 to 90 percent of parity, while its Southern state bureaus headed by its vice president, Walter Randolph, favoured the high price supports and would not be willing to see it go. The national head-quarter of the Farm Bureau, therefore, allied itself with the Republican administration, while its many state bureaus supported the position taken by the congressional agriculture committees. Kline admitted the division within the Farm Bureau and used "discipline" and "one voice for farmers" to justify the difference between the opinion presented by the national head-quarter and the ones held by its member states. (Allan Kline, statement before the Senate Committee on Agriculture and Forestry, March 10, 1954, in **General Farm Program**, hearing before the Senate Committee on Agriculture and Forestry, Part I, 1954, pp.195-214; for views of committee members and the USDA about the Farm Bureau, see other parts of **General Farm Program** and respective parts in Congressional Record in 1954, 1956 and 1958; "Address of Herschel D. Newson, Mater, before the 89th Annual Session of the National Grange," at Cleveland, Ohio, November 16, 1955).

[96] This was very much concerned by the politicians in agriculture committees. "[Agriculture] has no single organization to speak for it. Representatives of more than 30-odd farm groups annually appear before our committee. The big three of this group are usually divided. Farm Bureau pursues a conservative course; National Grange down the middle; and Farmers Union takes the liberal view. This cleavage in an arena of political bickering, fanned by an abundance of anti-farmer publicity presented a very difficult situation for ... the Congress." (Congressional Record, 1961, p.13488).

[97] Galbraith, "Economic Preconceptions and the Farm Policy," p.40.

middle ground on which to compromise. When major farm groups could not reach an agreement on their preferred farm programs, Congress tended to delegate more authority to the secretary to protect the field from being "encroached" upon by outsiders.[98] Furthermore, disarray among farmers and farm organizations often allowed members of the agriculture committees in Congress to pass a bill according to their own judgement rather than trying to fit to the desires of the national headquarters of the farm organizations,[99] or, more likely and importantly, to adopt the continuation of the existing programs. In sum, the division among farm organizations in the 1950s neither changed the boundaries of the policy making circle nor threatened the policy agenda. To the contrary, it enhanced the power of the USDA to mobilize support for the continuation of the farm programs.

3.3 Unity of the Farm Community During the Johnson Administration

The division among farm organizations was the most noticeable feature of farm politics in the 1950s and it abated in the 1960s when other policy issues came up during the farm policy debate. Since they shared certain common interests which were different from and sometimes contradictory to those of other sectors of society, farm community members wanted to make sure that no other actors would get involved in agricultural policy making. The factors supporting the farm community's search for agreement arose in the 1960s when the cost of farm programs was high, the accompanying surpluses were burdensome, expansive and evident, irritation in the urban areas towards farm subsidies in general expanded, the political potency of the farm vote decreased, and, most importantly, public awareness of the need for increased spending in other national and international areas was advancing.

Unity, however, could not be achieved by itself. It was the result of deliberate efforts of the USDA. "Where there is disagreement among groups the government's own scope for manoeuvre is increased."[100] The strategy adopted by the USDA in the 1960s was to mobilize support for the continuation of farm programs by forcing these conflicting forces into an alliance.

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[98] Perhaps, no one made this point clearer than the House Agriculture Committee chairman, W.R. Poage: "It is better to let the Secretary determine what he would do in these hardship cases, let him make these rules as to just how he must handle these details, than to have us attempt here on the floor or in the committee to write details. We can never get them all in line at one time." (Congressional Record, 1961, p.3495).

[99] Congressional Record, 1954, Part 2,3,4; Hansen, **Creating A New Politics**, Chapter 6.

[100] Hogwood, **From Crisis to Complacency?**, p.54.

After the 1963 referendum, for example, in which wheat farmers "voted for the right to produce whatever they desire in 1964, for whatever the market will pay, rather than for higher prices and limited production,"[101] the nation faced the prospect of $1.25 per bushel of wheat, starting on July 1, 1964 -- a 75 cents-a-bushel drop from the current level. While Secretary Freeman predicted that there would be a $600 million loss in farm income, "Congress evidenced little interest in farm legislation."[102] President Johnson was deeply concerned with the absence of new legislation which would protect wheat farmers from a price decline and instructed Freeman to develop a new legislative proposal to prop up wheat farmers' incomes before the existing wheat program expired.[103]

The proposal presented to Congress showed a deliberate effort by the USDA to bring various farm groups together. It tied two major commodities -- wheat and cotton, and farm and non-farm politicians together. Its cotton provision proposed that the Secretary be granted authority to make subsidy payments to domestic handlers or textile mills in order to make cotton more competitive with artificial fibres and to bring the price to cotton consumers in the U.S. down to the export price. Cotton growers complying with their regular domestic allotment were to have their crops supported. This proposal would benefit cotton growers with high price supports and textile industries with lower prices for cotton. The wheat provision proposed a voluntary wheat marketing certificate program for 1964 and 1965, which meant that farmers who complied with acreage allotments and agreed to participate in a land-diversion program would receive price supports and land-diversion payments. Growers would also be supported with marketing certificates, the value of which depended upon whether wheat was destined for domestic or foreign consumption. Wheat food processors and exporters were required to make prior purchases of certificates to cover all the wheat they handled. The provision was designed to raise price supports for wheat growers and to curtail production at the same time in order to reduce the cost for storing and handling surpluses held in the government's hands. Providing higher price supports for both cotton and wheat growers was designed as one way to bring Southerners and

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[101] John F. Kennedy, "Statement on the Result of the Wheat Referendum," May 22, 1963, in **Public Papers of the Presidents: John F. Kennedy**, 1963, p.418.

[102] "Annual Report of the President," **Proceedings of the 14th Annual Meeting**, National Association of Wheat Growers, January 7-10, 1964, Texas, p.7.

[103] Orville L. Freeman, "Farmers Face A New Year," **Proceedings of the 14th Annual Meeting**, National Association of Wheat Growers, 1964, pp.11-17.

Midwesterners together. Offering cotton at lower prices for textile industries and domestic handlers was believed to counterbalance the urban politicians' discontent with the higher wheat prices and possible increase in wheat products.

While the farm bill was pending in Congress, the USDA was pursuing the passage of the food stamp programs, which had been proposed for two main reasons: 1. to upgrade the diet of people who had a substandard diet in the country, and 2. to reduce agricultural surpluses in an efficient fashion to stabilize farm prices and reduce government cost.[104]

The combination of the cotton, wheat and food stamp programs brought a majority of the farm organizations together. All the major farm organizations, except the Farm Bureau, sent a joint statement to Congress in support of the farm legislation which included all three parts. These farm organizations included the National Grange, Farmers Organization, Farmers Union, Agricultural Council of Arkansas, Arizona Cotton Growers Association, Cotton Producers Association, National Association of Wheat Growers and many others.[105] To the supporters in Congress, this was sufficient enough to give them a mandate to enact the cotton-wheat bill into law.

The coalition continued in the 1965 farm bill formulation when the administration tied the farm bill with another bill which was favoured by the urban politicians -- repeal of Section 14 (b) of the 1947 Taft-Hartley Act, known as the "right to work."[106] Among 19 states which had in effect "right to work" laws, 10 were Southern states and 5 Midwestern states. All these 15 states were known as farm states, where farm industry too a great percentage of their economy. Repealing the "right to work" laws was unpopular to the conservative from farm states, while raising price supports for some commodities was unpopular to urban liberals. Marrying them together, the administration hoped that both bills could be passed, and they were, with only

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[104] James E. Anderson and Jared E. Hazleton, **Managing Macroeconomic Policy: The Johnson Presidency**, Austin: University of Texas Press, 1986; Bernard J. Firestone and Robert C. Vogt, **Lyndon Baines Johnson and the Uses of Power**, New York: Greenwood Press, 1988; Stephen J. Wayne, **The Legislative Presidency**, New York: Harper & Row, Publishers, 1978, pp.168-172; Orville L. Freeman, statement in **General Farm Legislation**, hearings before the House Committee on Agriculture, 89th Congress, 1st Session, April 6, 1965. Serial K.

[105] Congressional Record, 1964, p.4140, 7311.

[106] Section 14 (b) of the 1947 Taft-Hartley Act "prohibits labour-management agreements requiring union members as a condition of getting or keeping a job." It was, in effect, "outlaws the closed shop and the union shop." (Congressional Quarterly Almanac, 1965, p.819).

minor changes in the farm bill.[107]

In the 1960s, the decision making process increased its complexity when commodity interests were more fragmented and when there was an increasing awareness of the poor, who also deserved government attention and assistance and who could benefit from farm programs. When multi-faceted issues arose as a challenge to the traditional farm programs, what the agriculture community needed was an internal framework around which it was able to forge its external political base, and to do this by acknowledging the new issues in order to exploit coalition politics so as to achieve its own ends and to expand internal political base by seeking cooperation among its various interests. To achieve this objective, the agriculture community depended upon the USDA's leadership. The asymmetric relationship between the government and others in a policy community not only guarantees the predominant position of the government but also ensures a cooperative relationship among all the members for their mutual advantages. The augmentation of the farm policy agenda to include food stamp programs gave the USDA a niche to solicit public support for farm programs by expanding their benefits to the urban sector, and this no doubt contributed to obtaining vital urban votes.[108] On the other hand, the expansion of farm programs gave the USDA another lever over the control of its farm clients and over its relationship with the congressional agricultural committees whose members were opposed to food stamp programs, especially those which would benefit the rural poor[109] and who at the same time needed support from their urban colleagues in getting their preferred programs. The augmentation of the farm policy agenda was, thus, used as a means by the administration to force

[107] The Food and Agriculture Act of 1965 was finally adopted in the House by a vote of 219-150 (R 25-92, D (194-58 [ND 130-39], [SD 64-19]) on October 8, 1965 and in the Senate by voice vote. (Congressional Quarterly Almanac, 1965, pp.114-30, 1016-17).

[108] Congressional agriculture committees were split on the issue. Some of them did not like the food stamp programs not only because they were designed to help the poor but also because, it was argued, any give-away of farm products would mean lower prices for farmers. Others did not like the program because they did not like the idea t[illegible]ing other interests in agricultural policy making and they would have to exchange votes with their urban colleagues. USDA officials pursued the issue on two grounds to expand its power. First, the food programs would help people who had a substandard of diet in the country. This was a welfare purpose which was welcomed by urban politicians. Second, the program was also designed to stabilize farm prices and reduce government costs by increasing domestic food disposals. This was welcome by rural politicians. (Congressional Record, 1964, pp.4140-4371, 7129-47, 7310-23).

[109] Nick Kotz, **Let Them Eat Promise: The Politics of Hunger in America**, New York: Anchor Books, Doubleday & Company, Inc., 1971.

farmers and farm groups to unite in order to maintain their privileged position in terms of government protection and supports.

The important point regarding this policy-making development is that selection of policy programs as well as selection of strategies in the policy making process are decisive elements in the development of a policy community. This is because the government agency, the USDA in this case, has control of countless ways to obtain its ends. In tying several commodity programs together, the USDA recognized them as legitimate and proper policy issues which deserved government attention, protection and support. The commodity groups, by being covered by government price support programs, would feel an increasing stake in the welfare of their programs as well as the welfare of the USDA.

4. Economic Interests and Institutional Constraints

Two aspects of congressional politics in agricultural policy making in the 1950s and 1960s were high partisan politics in general and a typical non-partisan coalition among farm state/region politicians with vote trading between farm Democrats in the South and urban liberals from the Northeast in the 1960s. This pattern of congressional politics in agricultural policy making protected the closed nature of agricultural policy making and ensured the chances of its persistence in a changing society. Most studies of agricultural policy making in the 1950s and 1960s argue that the impasse in policy making was the result of conflicts between two major political parties[110] or of interest group politics,[111] or of the concerns of politicians over retaining or losing farm votes.[112] Each of these factors affected, to a certain extent, farm politics in Congress. But to understand why policies and policy making process remained intact in the two decades, it is important to examine the relationship between members in the agriculture committees and those in Congress as a whole and between the committees and the USDA.

Although it is often argued that the Democrats favoured high supports and the

[110] Thomas V. Gilpatrick argues that it was "the latter part of the 1940s when farm prosperity, coupled with accumulating surpluses, seemed about to bring a wholesale shift in policy that increased partisanship developed, partisanship that ... introduced rigidities into the policy-making process." ("Price Support Policy and the Midwest Farm Vote," Midwest Journal of Political Science, v.3, no.4, 1959, p.335).

[111] Having studied the farm legislation passed by the 86th Congress, Ross B. Talbot found that "the impetus in the legislative process comes from the public and private interest groups." ("Farm Legislation in the 86th Congress," Journal of Farm Economics, v.43, 1961, p.591).

[112] Wesley McCune, "Farmers in Politics," The Annals of the American Academy of Political and Social Science, v.319, September 1958, pp.41-51.

Republicans flexible ones, a closer examination shows that party loyalty was only followed by those who did not have farm interests. When the country could afford to support a small economic sector, when other policy issues made headlines most of the time and as farm programs became more complicated, Congress in general left the agriculture committees alone in deciding farm programs. The specific farm bills were debated only in the committees, and non-committee members seldom participated in floor debate.[113] The relatively closed policy agenda was one of the main results of the exclusive participation in agricultural policy debate in Congress by those who wanted to continue the farm programs.

The compartmentalization of the policy making process in Congress and the priority of farm programs were also ensured with the assistance from the agriculture appropriation subcommittees. The shared membership of the agriculture committees and agricultural appropriation subcommittees ensured a more exclusive policy agenda. The shared interests explained their willingness to expand farm programs with their authority whenever it was possible.[114]

To explain this, we need to look at another important factor. That is the economic and political interests, or to be more accurate, the perceived economic and political self-interests

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[113] Take the debate of the 1956 farm bill as an example, the three volumes of the Congressional Record (part 3, 4,5), which carried most of the debate, showed that less than a dozen congressmen from non-farm states/regions were there. Those who provided most speeches and arguments were the ones who had direct interests in maintaining or changing farm programs. People like Ellender, Cooley, Hope, Aiken, Poage, Young, Thye, one time or another served as the chairman of the House or Senate agriculture committee. They not only had direct interests in farm programs but also became experts in farm legislation. With their expertise in writing farm bills, they were willing to cooperate with the USDA and, more importantly, willing to delegate sufficient authority to the Secretary of Agriculture. As farm programs became more and more complicated, some farm state legislators sometimes found difficult to comprehend the technical terms and provisions. When most politicians could not understand the intricacies of the farm programs, they looked to the political orientations for the solution. The complexity of the farm programs was one of the main reason the people who had direct interests were able to maintain policy making process closed. (Congressional Record, 1956, p.3125).

[114] Six of the eleven members in the Senate subcommittee of agriculture appropriations in 1956, for example, served at the agriculture committee at the same time. The three ex officio members were all from the agriculture committee. The House agriculture appropriation subcommittee headed by Jamie Whitten (D-MS) had the similar structure which made certain actions more likely than others. For example, in 1956 the House Agriculture Appropriation Subcommittee offered the USDA more than funding than even the House agriculture committee asked for. Its chairman, Jamie Whitten commented: "This being an appropriation bill, we cannot change the law governing cotton acreage or corn acreage; we cannot do anything in this bill toward price stabilization. There are many things we cannot do to correct situations that bother those engaged in agriculture. The thing we can do is try to give thought to those programs that may be of slight benefit in meeting the problem we have today." (Congressional Quarterly Almanac, 1956, p.621).

derived from a particular set of organizational arrangements. In a policy community economic interests are structural power. In agreement with the argument that economic self-interest, ideology, and vote trading are the major determinants of votes for legislators in Congress,[115] this study argues that different motivations for politicians in Congress to vote for or against a particular farm bill were very much determined by their position and relation to the agriculture community and their perceived political interests. These interests can be a driving force for people to pursue or oppose particular policies and, thus, facilitate organizational politics. As an institution, the agricultural policy community created the condition for orderly working relationships by reducing the transaction costs of obtaining and exchanging information and maintaining the institution as a whole and by providing a favourable condition for members to ensure their desired policies through collective choices. Thus, individual members were context-dependent. Their perception of the political and economic interests were conditioned and their choice sets were limited by the institutional structure.

Moreover, while public choice theory postulates that pursuit of the vote is the primary stimulus shaping the behaviour of political suppliers,[116] it emphasizes the rationality of individuals. However, "rationality is always contextual, so a great deal depends on the situation posited at the beginning of the analysis."[117] A set of institutions constrains everybody's opportunities and incentives to renege, thus facilitating credible commitments, durable legislative deals, and realization of gains through political exchange -- to strike the deal necessary for

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[115] Kau and Rubin sketch out three explanations for the vote by a particular representative on a particular bill. "First, the bill may be in the economic interest of his constituents. Second, the congressman may vote for a bill because of logrolling: he votes for this bill in return for the vote of another congressman on a bill which is important to the first congressman. Third, the representative (or his constituency) may be ideologically in favour of the bill: that is, he may feel that the bill will make the country a better place to live, independently of any self-interest motivation." (James B. Kau and Paul H. Rubin, "Self-Interest, Ideology, and Logrolling in Congressional Voting," The Journal of Law and Economics, v.22, 1976, p.366).

[116] James M. Buchanan, **Liberty, Market and State: Political Economy in the 1980s**, New York: New York University Press, 1986; James M. Buchanan, **The Economics of Politics**, England: Institute of Economic Affairs, 1978; William A. Niskanen, "Bureaucrats and Politicians," Journal of Law and Economics, 1976, pp.617-643; William C. Mitchell, "Virginia, Rochester, and Bloomington: Twenty-Five Years of Public Choice and Political Science," Public Choice, v.56, 1988, pp.101-119; Dennis C. Mueller, "Interest Groups and the Size of Government," Public Choice, v.48, 1986, pp.125-145; Gordon Tullock, **The Vote Motive**, England: Institute of Economic Affairs, 1976; Gordon Tullock, "A (Partial) Rehabilitation of the Public Theory," Public Choice, v.42, 1984, pp.89-99.

[117] Keohane, "International Institutions: Two Approaches," p.381.

durable winning majorities.[118] "Their positions on issues [thus] are not really their own, but are induced by the positions of others."[119] As a consequence, it is important to find out the relationship politicians had with agriculture community and with various farm interests, if we want to understand what happened in agricultural policy making in the 1950s and 1960s.

Having examined the roll-call votes in the period,[120] we may conclude that for those politicians from farm states/regions, maintaining the existing high price supports was much more important than either being loyal to the party they belonged to or upholding a particular ideological belief.[121] Democrats from the South represented the interests of rice, peanuts, cotton and tobacco producers, while Republicans from the Midwest represented the interests of wheat, dairy and corn growers. All these were basic commodities covered by government support programs. Both groups of politicians, with the exception of those from dairy regions, favoured production restrictions and high price supports. They were willing to support each other in farm policy making. Moreover, "in the agriculture committees, where most of the important compromises between crop interests must be worked out if a bill is to succeed, the unifying effect of party discipline is weaker, and loyalty to narrow crop interests is greater."[122] The coalition between the Midwest grain growers and South cotton farmers had been there since the government price support programs were first enacted. Its relationship with the USDA and its commodity decision had been accepted as a standard of practice in agricultural policy making. When farm prices were dropping and net farm income declining and the question became how

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[118] Barry R. Weingas and William Marshall, "The Industrial Organization of Congress," Journal of Political Economy, v.96, 1988, pp.132-163.

[119] Moe, "The Politics of Bureaucratic Structure," p.269.

[120] For the voting results of major farm legislation of the 1950s, see Agriculture Section in Congressional Quarterly Almanac, 1954, 1956, 1958. These votes are also summarized in the following studies: "The Political Impasse in Farm Support Legislation;" Pennock, "Party and Constituency in Postwar Agricultural Price-Support Legislation,"; Gilpatrick, "Price Support Policy and the Midwest Farm Vote;" Talbot, "Farm Legislation in the 86th Congress."

[121] Senate Agriculture Committee chairman, George Aiken, was the only one who supported flexible price support but by no means the elimination of the government price support programs. House committee chairmen, Clifford Hope, was not only an agricultural veteran in Congress but also a long-time architect and advocate of high government support and production control program. Two Midwestern Republican chairmen of the subcommittees of agricultural appropriations were Senator Milton Young and Representative H. Carl Andersen. Like Hope, both had a record of being consistent proponents of high price supports all through the years.

[122] "The Political Impasse in Farm Support Legislation," p.965.

to "get more money into the pocket of the farmer,"[123] the coalition between the Midwestern and Southern politicians became more effective in gaining internal consensus.

But, for politicians who did not have a farm constituency, party discipline and ideological differences were a more important factor to decide their votes. This is especially true with urban Democrats in the first two years of the first Eisenhower administration. Being party in the opposition to the executive, many Democrats did not feel obligated to propose any policy changes and did not hesitate to pass a bill which President Eisenhower would veto. Very often we find that votes cast by these people were distinctly divided along party lines.[124] While urban Democrats, who did not feel a direct stake in representing the interests of consumers, were willing to support the efforts of their colleagues from farm states to maintain high price support programs for the sake of party unity, urban Republicans were eager to see the success of their president. In both cases, members were more inclined to submit their views to those of the parties they belonged to, especially when they were in the same party with the President. This is because the president often has a broader leeway to manipulate political support or sanctions to affect the

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[123] Congressional Record, 1956, p.4300.

[124] For example, when the House Agriculture Committee passed the bill with the flexible principle, among 30 committee members, 11 voted for the bill (R-10, D-1) and 18 against the bill (R-6, D-12). (Pat Sutton [D-TX] was absent and did not vote.) Five of the six Republicans who were against the bill support by the President were from the Midwest -- Simpson (IL), Hoeven (IO), Hope (KS), Andersen (MN) and Lovre (SD). Herlong from Florida was the only Democrat committee member who supported the bill, for the reason of desiring "from low feed costs." (**Congress and the Nation: 1945-1964**, Congressional Quarterly Service, 1965, p.675).

The House passed the bill, which included the flexible support principle with the scale of price support extending from 82.5 to 90 percent of parity for the 1955 crop of any basic agricultural commodity with rest to which producers did not disapprove market quotas, by a vote of 228 to 170 (R 182-23, D 45-147). Among 23 Republicans who opposed the administration's flexible support principle, 22 were from the Midwest and one from Washington state. Two-thirds of the Democrats having voted for the flexibility along with urban Republicans were from the Northeastern states, such as New Jersey, Pennsylvania, Massachusetts, New York, etc. In these states almost all the representatives voted for the flexibility, whether being Republicans or Democrats. Thus, it is probably appropriate for us to interpret the votes as: despite their party affiliations, congressmen in the South and Midwest who represented major farm states and regions, were incline to vote against the flexibility, while those from West and Northeast voted for it. Representatives in the 11 Southern states voted against the bill either unanimously, such as in Alabama, Arkansas, Georgia, Mississippi, and South Carolina, or with overwhelming majority votes, such Kentucky (2-6), Louisiana (1-7), North Carolina (1-12), Oklahoma (1-6), Tennesse (2-6) and Texas (1-19). So did some Midwestern states (Dakotas, unanimous votes against the bill and Minnesota [1-9]). (Congressional Quarterly Almanac, 1954, pp.140-143).

political popularity of politicians.[125]

This analysis can also be applied to votes on the 1956 and 1958 bills which called for returning to the fixed support system and for freezing support levels. Votes and arguments during the debates indicate that congressional votes were better interpreted on the basis of home state of the politicians rather than their party affiliation. Both Democrats and Republicans from farm states took the same stand on the issue of high price supports, while those non-farm legislators voted on the party line. Moreover, once the bills were vetoed by the President, as it was in 1958, those non-farm Democrats were reluctant to lend further support to their farm colleagues and were not willing to offend the interests of consumers by openly voting against the President's veto.[126] The coalition between the Midwestern Republican and the Southern Democrat farm state/region politicians continued through the 1960s and was strengthened when vote trading took place between the wheat and cotton representatives and between liberals and conservatives on the issues of civil rights and food stamp programs, as it was shown in the previous section.

This section shows that politicians may vote for or against a particular bill for multiple reasons. Even when we accept the argument that politicians seek to maximize the chance of reelection, we must realize that their perceived political and economic interests, on which they depend for their votes, are conditioned by the fundamental rules of competition and cooperation in Congress and their relationship to the agricultural community. This is what Shepsle calls

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[125] A good example to show the case is the farm policy making in 1954. When the congressional agriculture committees were opposed to the administration's proposal of transforming farm programs from fixed one into a flexible one, the administration whittled away at the opposition with the strategy of adhering to its fundamental principle and making compromises on policy details, as described by the Majority Leader in the House who took over of the floor debate because of the opposition of the committee chairman, Hope, "Make some compromises on the level of supports in order to salvage the principle of flexibility." (Benson, Cross Fire, p.203) When an amendment was proposed to set the level of supports at no more than 90 percent and no less than 82.5 percent of parity price for the 1955 crop of any basic commodity, a level higher than Benson desired, the administration imposed "terrible pressures" on the House members, especially those recalcitrant Republicans. (Congressional Record, 1954, p.9678, 9392, 9670). All the devised and instruments of party discipline were brought into play. State political machines were enlisted in the struggle and tales were told of a Congressman who was threatened with the loss of a state job held by a member of his family and of another Representative and his wife who sat up all night debating how he should vote because he believed in rigid supports but was told that he could not be renominated unless he voted "flexible." (Pennock, "Party and Constituency in Postwar Agricultural Price-Support Legislation").

[126] This was made clear by the Senate Majority Leader, Lyndon Johnson: senators "were not receptive to the prospects of another long, frustrating effort to compromise what cannot apparently be accomplished." (Congressional Record, 1956, p.6317; "Johnson To Drop Farm Bill Fight," in The New York Times, April 15, 1958, p.25).

"structure-induced equilibrium" -- "Equilibrium, if it exists, is affected not only by the distribution and relationship of agent preferences, but also by the way the collectivity goes about its business."[127] The institutional structure conditions individual perception of their interests and, hence, their choices for preferred objectives. The combination of the institution, the individual preferences and the rules of procedure facilitate policy politics.

Conclusion

"In the hectic opening years of the New Deal era the Congress itself acted to institutionalize the president as legislative leader, or acquiesced in his assertion of that role. It conditioned and organized itself as primarily a responding rather than an initiating body."[128] This trend continued in the 1950s and 1960s with the growth of government regulation in the economy as a whole. The administration was asked to decide policy agendas, formulate policies and submit policy proposals for Congress to consider. In doing so, the politics within the USDA inevitably affected politics in Congress and other actors involved in agricultural policy making.

The agricultural policy making in Congress in the 1950s and 1960s shows that, as national economy was doing well, the government could spare sufficient funding for the expensive farm programs. At the same time, other social issues also drew the attention of government and the public, such as those of the poor and the consumer. As a consequence, the agricultural interests were no longer powerful to force their will upon non-farm politicians who also needed farm politicians' support to secure passage of other social and economic legislation. One important consequence of the stalemate of policy making in Congress was that while the president sought to gain control over price supports and production regulation by requesting greater discretion for the Secretary of Agriculture, Congress, especially the agriculture committees, were willing to delegate a great deal of discretionary authority to the Secretary of Agriculture.[129] Broader delegated authority gave the secretary sufficient leeway in defining the

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[127] Kenneth A. Shepsle, "Studying Institutions: Some Lessons from the Rational Choice Approach," Journal of Theoretical Politics, v.1, 1989, p.137.

[128] James L. Sundquist, **The Decline and Resurgence of Congress**, Washington, D.C.: The Brookings Institution, 1981, p.127.

[129] The House Agriculture Committee chairman, Cooley, one time pointed out, "We have given the Secretary of Agriculture just about every possible authority that could be conceived. He has the right to sell these commodities for dollars. He has the right to sell them for foreign currencies. He has the right to batter the commodities for strategic and other materials needed in our economy. He has the right to sell

policy objectives, setting up the policy agendas, and pursuing the goals as he intended. He could use his delegated power fully or he could use it only to a minimum extent, or he could even ignore it. The important point is that he and the USDA retained the power to proceed as they intended.

Finally, the existing policy programs became hurdles and potential barriers for reforms because they generated entrenched politically salient interests which resisted any substantial changes. These factors help to explain why despite the intent to change and the appearances of change there remained a greater degree of consistency and continuity in farm programs in the 1950s and 1960s.

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the commodities on credit, long term and low interest rate credit, and even to give the commodities away whenever need can be shown anywhere in this world." (Congressional Record, 1954, p.21413).

PART IV
INTERNATIONALIZATION OF AGRICULTURE

CHAPTER SEVEN
CHANGE AND CONTINUITY

Agriculture ended the 1960s with a reduced surplus and stable farm income as the result of tight production controls, large government spending and the active promotion of exports. The agricultural industries had become more export-oriented and farmers more dependent on exports, through PL 480 and other commercial means, for their price and income stability. Meanwhile, agriculture did more than any other economic sector to hold back the critical outflow of dollars.[1] With farm programs working relatively well, farm prices and farm income moving slightly upward, and with a major farm policy, the Food and Agricultural Act of 1965, effective for a five-year period,[2] the federal government was able to avoid frequent tinkering with farm legislation in the second half of the 1960s and downplay farm issues in order to concentrate more on other issues.[3]

From the beginning of 1970, American agriculture was buffeted by a series of unexpected events. There was the corn blight and drought in 1970, followed by the imposition of wage and price controls and the first devaluation of the dollar in 1971. Then, almost like a third ocean wave, there was the first Russian grain sale which virtually cleaned out the American storage bins

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[1] According to a report submitted by the U.S. Trade Representative (USTR), agricultural exports grew rapidly from $3.7 billion in 1959 to a record high $6.8 billion in 1967. Most of this increase was in commercial exports, which rose from $2.5 billion in 1959 to $5.2 billion in 1967. Also while the trade deficit in non-agricultural sectors in 1966 ended with $470 million, agricultural had a net commercial trade surplus of $982 million. The same trend continued in the rest of the 1960s. (**Future United States Foreign Trade Policy**, report to the President submitted by the Special Representative for Trade Negotiations, Washington, D.C., January 14, 1969, Chapter IV).

[2] In 1968, President Johnson requested permanent extension of the Food and Agricultural Act of 1965 and Congress provided for a one-year continuation until December 31, 1970. The supporters of the extension argued that the new administration, to be elected in November 1968, deserved an opportunity to formulate its own farm programs and would need additional time to formulate and enact its proposals. Moreover, a simple extension was the best way to avoid a host of troubling amendments pursued by some congressmen in 1968, such as setting limits on government price support payments to individual farmers. (Congressional Quarterly Almanac, 1970, p.635).

[3] "While industry is moved to the top of the list of priority among public policy issues," said a former CEA member, Karl Brandt, "agriculture is accorded only a very low rank." (Karl Brandt, "Agriculture: An Essential Growth Industry," Vital Speeches of the Day, v.34, no.12, April 1, 1968, p.369).

and sent world wheat prices to record heights. It was during this period that agricultural policies could no longer be formulated without considering their effects on other sectors of the economy. The traditional focus of agricultural policy -- farm prices and farm income -- became merged with issues of food costs and foreign economic policy. Farm, food and trade policies, therefore, became an integrated part of agricultural policies.

As the agricultural economic environment changed and the policy agenda took on new issues, the importance of the relationships between agricultural trade and domestic food prices, on the one hand, and between food prices and inflation, on the other, brought food policy to the centre of economic policy making within the administration. A new government agency was created to coordinate this new three-dimensional agricultural policy making. While these unforeseen events and unanticipated changes allowed the administration to extricate itself from the more restrictive agricultural policies of the time, the nature of traditional agricultural programs -- to pursue and maintain stabilization of a commercial agricultural industry and to protect the welfare of the farmer by stabilizing farm prices and farm income -- surprisingly remained unchanged. In the 1970s, many scholars, especially those in agriculture community, strongly argued that agricultural policy making had shifted from the USDA to other government agencies, such as the Office of Management and Budget (OMB), Council of Economic Advisers (CEA) or State Department. This chapter tries to demonstrate that, with all the inevitable changes in policy priorities and policy making participants, the USDA was neither an outsider nor a second class citizen in agricultural policy making. Neither Directors of the OMB and CEA set price supports for farmers nor the Secretary of State set agricultural export policy. The USDA did. In fact, with the upward shift of policy making locus, the USDA was in a firm control of direction of agricultural policies in the face of challenges and demands of both farmers and their representatives in Congress and other government agencies. The agriculture community had never been this united in resisting the changes and retained the locus of real power in decision making for agricultural policies.[4]

Since the end of the Korean War, farmers had been bedeviled by surpluses and the government had been burdened with huge subsidies to farmers. With surpluses gone and food and

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[4] James T. Bonnen, "Implications for Agricultural Policy," American Journal of Agricultural Economics, v.55, 1973, pp.391-98; John Kramer, "Agriculture's Role in Government Decisions," in Gardner and Richardson, **Consensus and Conflict in U.S. Agriculture: Perspectives from the National Farm Summit**, pp.204-37.

agricultural trade issues capturing the attention of the public and politicians, it would have been natural to see both production control and price and income subsidies vanish. To the contrary, throughout the period, we can see not only a continuity of policy in an uncertain world but also increasing government intervention which was strengthened as foreign competition increased. Once an institution was established, there was a much greater tendency toward "doing something" than "undoing something." While agricultural policies accumulated into progressively more complex piles, which were involved in many interests besides those of agriculture, the agriculture community remained its control in policy making. By examining the changes in the economic and political environment, the content of agricultural policies enacted in the 1970s (without evaluating their merits), and their effects on agricultural policy making, this chapter tries to show how the conjunction of political and economic events effected agricultural policy priorities and policy making processes and why the nature of traditional farm programs remained unchanged despite market changes.

The first section deals with the legislative development in the 1970s and executive decisions which concerned farmers' welfare to demonstrate consistency of policies as well as the newly emerged policy issues in agricultural policy making. The second section examines the relationship among members of the agriculture community in the processes of drafting the 1970 and 1973 farm acts to illuminate the political strategies adopted by the USDA in a fundamentally changed policy environment to uphold the privileged position of the agricultural industry in the national economy. The third section explains how changing economic circumstances and new policy issues affected political and institutional relationships in agricultural policy making. It concludes that while the economic situation affected policy programs and the policy making process, the changes in the 1970s constituted neither a severe threat to the traditional farm programs nor to the break-up of the agriculture community which had been in control of agricultural policy making for decades.

Policies are made to achieve certain goals and are protected by sets of institutional arrangements. Changes in an institutional structure are extremely difficult primarily because of the residual resisting nature of an institution. Informal rules, norms and patterns of practices endure because they benefit all the participants. To be specific, as the situations changed, the agriculture community, led by the USDA, was willing to work together to preserve the traditional instruments of government intervention in agriculture. By examining policy developments in the 1970s, this chapter also shows that, even though a policy agenda usually is protected by an ideology held by the members of the policy community, endorsed by the public and supported by the structure of policy making, as has been shown in the previous chapters, there are times when the ideology is overshadowed by other important developments. In the 1970s, while it remained dominant, the set of beliefs incorporating agricultural fundamentalism was neither a focus nor a decisive factor in agricultural policy making, as it had been earlier, primarily because the changes in the international and domestic arena created new problems for both the agriculture community and policy makers.

1. Legislative Development

Agricultural policy development in the 1970s can be divided into two integrated parts. One was the development of the traditional farm programs -- the Agricultural Act of 1970, the Agriculture and Consumer Protection Act of 1973 and the aborted Emergency Agricultural Act of 1975. The other was the executive decisions which directly affected farm prices and farm income -- the grain sale to the Soviet Union and the soybean embargo by the Nixon administration to alleviate increasing domestic food prices in 1972, the "voluntary" export report system imposed by the Ford administration in 1974, once again to relieve a temporary shortage in the domestic food supply, and finally the World Food Conference called by the U.S. Secretary of State, Henry Kissinger. The two-pronged development of agricultural policies in the 1970s shows that price stabilization programs and public intervention into the markets for storable agricultural products were increasingly affected by events outside the agriculture community and outside the United States. The "public interest" in terms of consumer welfare received increasing public attention and political decisions at the international level and world weather patterns were important determinants of purchase, sale and planting decisions. This section provides a legislative background for later analysis, to show the increasing complexity of policy issues and changes in the political and economic environment accompanying the internationalization of the agricultural industry, and also to demonstrate the persistence of policy legacies.

1.1 The Agricultural Act of 1970

After it assumed office, the Nixon administration concentrated more on foreign and social issues than economic ones. Insofar as there was an economic issue, it was "the economy's inflationary growth," which, however, was neither a source of anxiety for the public nor an issue about which people felt deeply.[5] When new farm legislation was to be formulated, farm prices and farm income were stable and there were no immediate serious problems for either farmers or the administration to worry about. With a low profile, the Agricultural Act of 1970 was enacted as an extension of the existing price support and production control programs.

The USDA-proposed **set-aside** program was adopted to enhance producers' flexibility and resource adjustment. The set-aside program was really nothing new in the sense that it was designed as a supply control measure with direct price supports. It would require that a designated percentage of a farm's acreage planted in a program crop be devoted to soil conservation uses. In return, the farmer would be given government payments equal to what the income would have been if the acreage had been planted. In other words, under the proposed set-aside program, farmers, in order to be eligible for nonrecourse loans, certificates and price support payments under the marketing quotas and acreage allotment programs, had to set aside a portion of their allotted acreage to conservation practices.[6] The Secretary of Agriculture had the authority to authorize additional payments for additional (voluntary) set-asides.[7]

The set-aside program had several features. First, it was voluntary and was applicable to the major crops: wheat, feed grains, and cotton. Second, farmers who participated in the program would receive direct payments and loans from the government at a rate set by the Secretary of Agriculture. Third, after he voluntarily set aside a proportion of his allotment, the producer was allowed to plant several substitute crops or any major program crops without having to limit program crop acreage as in the past. Finally, payment limitations were introduced as a result of the criticism of the large payments to a few large commercial farmers.

The 1970 Act was designed to give farmers more freedom and restrict the government's role in this economic sector, but the basic problems -- over-production and continuing surpluses -

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[5] This can be seen from the first major legislation concerning economy. Under authority of the **Economic Stabilization Act of 1970**, President Nixon announced a new economic policy to achieve three goals: 1. reduced unemployment, 2. reduced inflationary pressures and, 3. an improved U.S. competitive position in world market.

[6] This was in addition to their normal conservation practices. A farm's conserving base was defined as the average acreage in conservation uses as grasses, legumes, wildlife food and habitant, trees or shrubs, in 1959 and 1960.

[7] The administration used an example of a 2,000 acre wheat farm with a 500-acre domestic wheat allotment to illustrate its set-aside plan. Assuming a 100-percent set-aside, 500 acres would be taken out of production, plus 100 additional acres from the farm's conservation base. The farmer would have 1,400 acres left to farm as he/she wished. (Congressional Quarterly Almanac, 1970, p.752).

- remained. For example, following the corn blight epidemic and drought in 1970 which resulted in price increases, farmers responded by substantially increasing production. The build-up of feed grain and wheat stocks seriously depressed grain prices in 1971 and prompted large set-aside acreage in 1972. Direct payments to producers reached an all-time high of nearly $4 billion in 1972 with continued high values of CCC inventories.[8] As a consequence, USDA officials had to use every possible means to encourage farmers to reduce their cropland and curtail production.

1.2 The Grain Sale to the Soviet Union in 1972

As a part of its detente policy, in the summer of 1971 the Nixon administration lifted the embargo on trade to the People's Republic of China, which had been imposed by President Truman 26 years before during the Korean War. In June, it announced the cancellation of the "50-50 rule," which required half of export of wheat and feed grains to communist countries be carried by American ships.[9] The messages sent out by these policy changes were quickly picked up by the Soviets who were at the time trying to solve their domestic problem of the "dietary revolution." In July, according to the Washington Post, in Paris "Russians dropped word that they would be interested in purchasing American feed grain later in the year."[10] At the same time Nikolai Belousov, a top official of the Soviet Union's Export Khleb (Khleb means bread in Russian), which handled all imports and exports of grain, travelled to New York to talk to a number of private grain traders. Formal negotiations with the grain trading companies and with American government representatives commenced in October.[11]

At about the same time the Nixon administration announced its decision to suspend

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[8] Direct government payments to farmers were:

billion $	1967	1968	1969	1970	1971	1972
current	3.1	3.5	3.8	3.7	3.1	4.0
constant (1982)	8.6	9.2	9.5	8.9	7.1	8.5

(Johnson, **A Historical Look at Farm Income**, pp.4-5).

[9] The 50-50 rule was issued by President Kennedy in 1963. (Murry Marder and Marilyn Berger, "U.S.-Soviet Grain Deal: Case History of a Gamble," Washington Post, December 7, 1971, p.A 1 and A 10).

[10] Ibid.

[11] Ibid.

conversion of the dollar to gold and thus devaluated the dollar. Devaluation made American agricultural products more competitive in world markets and more attractive to her new buyer, the Soviets. The size of the 1971 grain sale to the Soviet Union was insignificant (5 million metric tons [mmt] of corn, barley and oats), but it was seen by both sides as a break-through. The Soviets had obtained grains to support their promise of feeding their populace more meat and the Americans found a way to relieve some of their headache of grain surpluses.

While reduced food production in three major countries -- the Soviet Union, China and India -- increased demand for American food grains, the detente foreign policies made such purchases possible. The USDA was organized, apart from other tasks, to promote agricultural exports. Seeing the potential of an expanding Soviet market after its 1971 purchase, Secretary of Agriculture Earl Butz decided to continue the grain sale talks with the Soviets.[12] As part of the Nixon-Kissinger detente strategy, a delegation headed by Butz went to the Soviet Union in April, 1972 to discuss the possibility of a grain sale on credit, requested by the Soviets in the previous fall. Following the May summit in Moscow Secretary of State, Henry Kissinger, announced in July that the administration was extending a $500 million line of credit to the Soviets in exchange for its agreement to purchase $750-million worth of American grain over three years.[13] When the Soviet purchasers came to buy U.S. grains, with various delegated authority at its hand, the USDA subsidized grain sales to the Soviets in July and August at much lower prices than the world price. By the beginning of September, 1972, the Soviets had purchased U.S. grains worth about $1 billion -- far more than originally contemplated, with "$200-million-plus worth of subsidies."[14]

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[12] Soviet winter wheat crops had been damaged by severe weather and needed large amount of grains for their program of expanding livestock and poultry production in order to raise the protein content of the Soviet diet, an object set up by the new Soviet leader.

[13] At the May summit meeting, 1972, President Nixon and Secretary Brezhnev laid down the groundwork for expanded trade and improved political ties between the two countries. In the following months, the Soviets purchased unprecedented quantities of wheat and other grains, with some $200-million-worth of subsidies from the USDA, which enabled them to maintain their herds of livestock. This also allowed the Soviets to make a change in policy from previous short production years in which they were forced to liquidate portion of their herds. ("Wheat Sales," Congressional Quarterly Weekly Report, March 24, 1973, p.642; "Soviet Grain Sale and Wheat Subsidy," Congressional Quarterly Almanac, 1972, p.822; "From Trade Triumph to Inquisition," Business Week, September 23, 1972, pp.22-25).

[14] To encourage grain exports and reduce the U.S. balance-of-payments deficits, it had been U.S. policy since 1948 (under authority of the CCC) to pay exporters the difference between the world price of wheat and its higher domestic price. The subsidy since late 1970 was based on a world price of $1.63 per bushel. The $1.63 price -- at which U.S. exporters sold the wheat to Soviets and other countries -- was

The impact of the grain sale was felt immediately in commodity markets with the wheat price rising from $1.32 per bushel in July 1972 to $2.38 in January 1973.[15] The carryover stock of wheat controlled by the CCC dropped from 347 million bushels in July 1972 to 67.4 million bushels in July 1973,[16] as farm income increased from $17 billion in the first quarter of 1972 to $27 billion in the first quarter of 1973 and then escalated to $37.5 billion by the fourth quarter of 1973.[17] This increase in farm prices and farm income had a two-fold impact. Reduced carryover of grain stocks and high farm prices reduced government expenditures on domestic subsidy payments to farmers[18] and rising farm prices exacerbated the spiralling food prices.

1.3 The Agriculture and Consumer Protection Act of 1973

In the shadow of the 1972 grain sale to the Soviets and with continuing strong domestic and world demand, the Agriculture and Consumer Protection Act of 1973 set a new direction in farm programs, under which farmers were encouraged to undertake full production and rely less on government intervention and more on the market system. A major institutional change was the shift from the concept of parity prices to a target system which for the first time tied support levels to production costs.

The **target price** system was created and integrated into the existing programs to deal with the changed economic situation. When market prices were low, farmers who had chosen to participate in specified commodity programs were eligible to receive deficiency payments at a rate equal to the difference between a target price and the higher of the average market price

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designed to make the U.S. competitive with Canada and other exporters. However, the price for wheat rose dramatically in the summer and the USDA continued its subsidies and the highest subsidy went up to about 47 cents per bushel until August 24, 1972 and the next day, under the pressure, the USDA announced its decision to stop the export subsidies.(Congressional Quarterly Almanac, 1972, pp.822ff; "From Trade Triumph to Inquisition," Business Week, 9-23-1972, pp.27-24; Congressional Quarterly Weekly Report, 1972, p.2413).

[15] USDA, State of Food and Agriculture, 1973, p.75.

[16] USDA, **Agricultural Statistics**, 1976, p.1.

[17] USDA, Agricultural Outlook, November 1975, p.22.

[18] According to one study, for wheat alone, there was an estimated $120 million reduction in domestic subsidy payments to farmers. (Joseph G. Gavin, **The Political Economy of U.S. Agricultural Export Policy, 1971-1975**, Ph.D. dissertation, Columbia University, 1980, p.116).

or the loan level.[19] In 1973, the target prices were set at $2.08 per bushel of wheat, $1.45 per bushel of corn, and 39 cents per pound of cotton. Target prices were to be adjusted according to changing costs of production and productivity for 1976. Another new concept in the 1973 Act was the **disaster payment** which offered income protection to producers of wheat, feed grains, and upland cotton in the event that production was reduced due to natural disasters.

The 1973 Act was largely oriented to providing a lower floor for farm product prices (hence income) by adjusting loan rates and target prices. Farmers were encouraged to sell their crops for whatever prices the market would bear and if their average price fell below the legally established targets, the government would send them a check for the difference, with a limitation of $20,000 per farmer. In this way, it was hoped farmers would adjust their production to market forces instead of government support levels. The impact of the program was that with assured income, farmers could safely plant all their acres. This was crucial in 1973 when maximum production was needed to reduce soaring food prices. If production was high and prices were dropping, consumers would benefit from the price decline. There was, however, a potential risk of increasing government supports if demand suddenly disappeared.

The striking feature of the 1973 Act was not the new concepts, such as target prices and disaster payment, but the fact that, despite high demand for agricultural products and record-high farm prices, farmers were again guaranteed to have stable prices and income through various measures of direct payments and the Secretary of Agriculture continued to retain the authority to pay farmers to idle a portion of their cropland.

1.4 The Soybean Embargo in 1973 and the Prior Export Report System of 1974

When farm prices and farm income rose as a result of a sharp demand from abroad, food prices also jumped. Rising food prices were of concern not only to low-income people, who depended on food stamps, school lunch and other subsidized food programs, but also resulted in widespread dissatisfaction among middle-income consumers. In early 1973, the issue of rising food prices attracted so much public attention that the newly emerging consumer movement

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[19] The concept of supporting farm income through direct producer payments was first proposed for perishable commodities in the late 1940s in the Brannan Plan. During the 1960s, farm programs increasingly incorporated the use of direct payments to major commodity producers as a means of supporting producer income. The establishment of the target price program in 1973 merely made the policy of income support through government payments more explicit. (see Cochrane and Ryan, **American Agricultural Policy, 1948-1973**, pp. 87-96, for more information).

organized housewives to boycott red meat nation-wide.

The government's response to food price increases was price controls. On March 29, President Nixon imposed ceilings on retail prices of red meats. Then on June 13, the administration imposed price ceilings on all retail and wholesale prices, including food. At the same time the administration announced a monitoring system for agricultural exports as part of its general economic stabilization program. It also requested authority to control agricultural exports in order to control rising domestic food prices. Even though raw agricultural products were exempt from direct control at the farm level, they were subject to indirect but effective control from the freeze on prices of agricultural products after the first sale. The prices farmers received for their crops and livestock were effectively limited by processors and distributors who were unwilling to pay higher prices while their own resale prices were frozen.

However, with price ceilings the problem of rising food prices was not solved for world prices still affected the domestic market.[20] Some government officials and economists were convinced they would have to impose export controls on soybeans before a disaster would occur to the domestic livestock industry. The Commerce Department statistics, which were at odds with those of the USDA, showed that the scheduled export amount of soybeans would take more than a third of all the domestic supply of old crop soybeans. The report left the administration with little alternative but to accept temporary export controls on soybeans. To avoid an information leak the administration made an immediate decision. On June 27, 1973, Secretary of Commerce Frederick B. Dent announced an embargo on the export of soybeans, cottonseeds, and their products, because the supply of soybeans was not sufficient to meet both domestic requirements and anticipated exports.[21]

Since the 1972 grain sale to the Soviet Union, the USDA had monitored U.S. agricultural

[20] With a price ceiling on food, farmers cut back on badly needed production at the same time moved their products to the foreign markets. While cutting production was unlikely to cause an immediate shortage in domestic markets, increasing export might. When domestic prices were held below world prices, foreign consumers competed briskly with the domestic consumers for the output of American farmers because producers were inclined to sell more of their products abroad as long as they were free to do so. This was especially the case with agricultural commodities, such as grains and soybeans, whose prices were not controlled. When foreign demand drove prices up, producers of those commodities wanted to sell their products abroad, while domestic livestock producers, who had to purchase the items for feed and who faced ceiling on the prices of their products, were forced either to operate at a loss or reduce their production, which drove prices even higher.

[21] The embargo was imposed pursuant to the authority set forth in the Export Administration Act of 1969. (Gavin, **The Political Economy of U.S. Agricultural Export Policy, 1971-1975**, Chapter IV).

exports to prevent unexpectedly large purchases of American grains by other countries, particularly the Soviet Union, and to control non-stop food price increases. Yet, facing a potentially tight supply of wheat, corn and soybeans and another large purchase from the Soviets in 1974, the Ford administration announced in the fall that it would institute a "prior export approval" system for grain sales. Under the old monitoring system, exporters were encouraged to report their sales negotiations to the Foreign Agriculture Service (FAS) of USDA but were not required to do so until after a deal was made. Under the new system, the exporters were required to report the deals they were negotiating with foreign buyers.[22]

The decisions to implement soybean embargo and the "prior export approval" system were made primarily on the basis of domestic concerns. The administration started from a fear of increasing food prices, a widespread clamour to slow inflation and a financial situation of livestock producers either having to face rising feed grain prices or frozen prices for their products. The international impact of the embargo was taken into account, but domestic concerns prevailed.

1.5 World Food Conference of 1974

The World Food Conference (WFC), called by the United States and sponsored by the United Nations, was held in November 1974 in Rome to deal with the growing world-wide food problems. There was widespread concern about disappearing world grain stocks in exporting countries, caused by rising living standards in many parts of the world which had increased import demands for food. In some other parts of the world a growing population was causing increasing numbers of people to be hungry. In the face of food shortages, many Americans considered the tremendous agricultural production capacity in the U.S. to be as powerful as the "petro-power" held and deployed by Organization of Petroleum Exporting Countries (OPEC) in international affairs. Representing this belief, Secretary of State, Henry Kissinger, decided to take the opportunity to boost America's reputation as a world leader in helping to solve the problems. the World Food Conference, Secretary Kissinger proposed:

First, the grain exporting nations should expand agricultural production to meet

[22] Also the administration asked U.S. grain traders either to cancel or make alterations to deals they had already made. (Roger B. Porter, **The U.S.-U.S.S.R. Grain Agreement**, London: Cambridge University Press, 1984, Chapter 3).

immediate and long-run needs; second, food production should be accelerated in the developing countries since the latter have the greatest potential for long-term growth; third, increased food aid should be provided on an interim basis; fourth, nutritionally adequate diets should be assured world-wide; fifth, world food security should be enhanced through establishment of an internationally coordinated system of national reserves.[23]

1.6 The Presidential Veto of the Emergency Agricultural Act of 1975

Since 1973, farmers had been asked to plant as much as possible and as a consequence, 60 million acres had been put back into cultivation. While farm income increased rapidly because of the strong demand, the cost of farm operation had also increased at a rate that was unparalleled.[24] Many in the agriculture community were worried that once market demand shrank, farm prices would dive and the difficult financial situation of the farmer would worsen. While they had made substantial gains associated with the price instability in the early 1970s, farmers would have liked to have a higher floor under their prices, but no ceilings. Since the target price system remained the only major measure by which the government could intervene in the market place as a purchaser of farm products in the event that farm market prices were lower than what the federal government set as a fair price, they demanded early action to raise the safety net.

In the name of preventing the disastrous over-production/under-production cycle which caused frequent price fluctuations, preventing the farmer from further cost-price squeezes and stimulating more production to feed the nation and the world and rebuild grain reserves, which could be used as a buffer for price fluctuation, the House Agriculture Committee took legislative

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[23] Statement by Assistant Secretary of State, Thomas O. Enders, in **Who's Making Foreign Agricultural Policy?**, hearings before the Subcommittee on Foreign Agricultural Policy of the Senate Committee on Agriculture and Forestry, 94th Cog., 2nd. Sess., January, 1976, p.32.

[24] The total gross farm income increased from $58.8 billion in 1970 to $$62.1 billion in 1971 to $$71.1 billion in 1972 to $98.9 billion in 1973 and the total production expenses also increased rapidly from $44.4 billion in 1970 to $47.1 billion in 1971 to $51.7 billion in 1972 to $64.6 billion in 1973. As a result the net farm income rose from $14.4 billion in 1970 to $15.0 billion in 1971 to $19.5 billion in 1972 to $34.4 billion in 1973 (in current dollar). See Johnson, **A Historical Look at Farm Income**, p.4.

One of the consequences the crisis brought to U.S. agriculture was high oil related energy prices for operating agricultural machinery and fertilizer. In fact "the cost index for purchased inputs increased 18 percent in 1974. Fertilizer prices were up more than 75 percent." (See CEA, **Economic Report of the President, 1975**, Chapter 6, p.162 and C.W. Cook, "The World Food And Population Crisis," Vital Speeches of the Day, May 1, 1975, pp.436-438).

action earlier than scheduled.[25] In the spring of 1974, a bill was reported out of committee to increase the target prices and loan rates for wheat, corn and cotton for the 1975 crop.[26] The bill also mandated a loan rate for soybeans to reflect the historical average relationship to corn support levels, approximately $3.94 per bushel. The provision for milk price support would increase from 80 percent of parity to 85 percent of parity. It was a generous farm bill, formulated during a national economic recession and defended on the ground that tremendous increases in production costs and the "uncertain domestic and world economic situation" called for higher price supports and adequate price floors for the farmer.[27] The Senate, more generous than the House, extended the House bill to three years and included an escalator clause of loans and target prices, but later in conference accepted a one-year emergency farm program with increased target prices and loan rates.

Advised by Secretary Butz, President Ford vetoed the bill on the grounds that:

> This bill would reverse the significant progress we have made over the past two years in reducing the Federal Government's role in agricultural markets. The bill also would adversely affect the competitiveness of U.S. farm products in world markets, reduce U.S. exports, worsen the U.S. balance of payments, lead to inflationary budget deficits, cause direct increases in food prices, and lead to future governmental restrictions on food prices.[28]

The legislative development in the Nixon/Ford administration demonstrated the increasing internationalization of U.S. agriculture and the growing importance of food and trade issues in agricultural policy making. It is also an example of the persistence of policy legacies. In addition to the fact that the complexity of farm programs made changes difficult, any change would threaten to unravel a complex and finely balanced package of programs covering varieties of commodities and regional differences. Neither policy makers nor beneficiaries were willing to disturb the unsatisfactory but comfortable programs.

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[25] The existing law, the Agriculture and Consumer Protection Act of 1973, would not expire until the end of 1977.

[26] The target prices and loan rates was to increase from $2.05 to $3.10 and from $1.37 to $2.50 per bushel for wheat, from $1.38 to $2.25 and from $1.10 to $1.37 per bushel for corn, and from 38 cents to 48 cents for cotton. (See Congressional Quarterly Almanac, 1973 and 1975).

[27] Congressional Record, 1975, p.7356.

[28] Letter from Secretary of Treasury, William E. Simmon, to Representative John J. Rhodes (R-AZ), Congressional Record, 1975, p.7384.

2. Persistence of Policy Programs and Policy Community

It is argued that "during the course of the tenure of Secretary Butz, USDA was, at best, treated as a stepsister in the household of the Cabinet, downgraded and ignored by more potent departments, like State and Treasury, and rarely consulted,"[29] and agricultural policy making underwent fundamental changes in the 1970s because it was more or less an open turf. Other societal groups and their representatives were able to insert their interests into this policy area where direction was no longer clear. This impression is not warranted. The agriculture community was never broadened and the policy agenda remained the same when farm legislation was worked out. Some scholars have realized that after a short period of excitement agricultural policy making remained in the full control of the agriculture community. They have attributed the temporary and short-lived changes to the split in the agricultural community and the quickly diminished interest in agricultural issues by other government agencies when the crisis receded.[30]

A policy community is formed because of the existence of specific policy issues and its participants "have mutual needs, expectations, experience"[31] as well as a stake in its survival. When related policies are made within the community, conflicting interests are found between the participants because they may share similar broader goals but differ in terms of specific policies or pursue them through different means. Yet, when conflicts result from changing market situations or when economic developments spill over into a larger political arena, newly affected groups, both public and private, demand access to the policy circle. Once a policy community's viability is threatened by outsiders, even though the threat may be temporary or in response to particular social, political or economic events, its members are inclined to show their consensus on the existing policy agenda and often unite in defending their mutual interests. "Consensus," however, "is a sign of exclusion rather than general agreement."[32]

Maintaining the privileged position in the government economic policy agenda requires

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[29] Kramer, "Agriculture's Role in Government Decisions," p.234.

[30] I.M. Destler, "United States Food Policy 1972-1976: Reconciling Domestic and International Objectives," in **The Global Political Economy of Food**, eds. by Raymond F. Hopkins and Donald J. Puchala, Wisconsin: The University of Wisconsin Press, 1978, p.73.

[31] Grant Jordan, "Sub-Governments, Policy Communities and Networks: Refilling the Old Bottles?" Journal of Theoretical Politics, v.2, 1990, p.326.

[32] Smith, "Pluralism, Reformed Pluralism and Neopluralism," p.310.

constant efforts to exclude challengers from the established policy community. Particular strategies undertaken can be effective means for a policy community to impose its policy preferences on (or political bargaining terms with) others and, hence, to retain its position. Also, very often community members exaggerate the challenges to mobilize internal unity and to win public support for the existing policy agenda and policy making processes.

This section examines the role the USDA and its high officials played in the 1970 and 1973 farm policy making. Having realized the changed political and economic situation, the agriculture community, instead of demanding more for government protection and guaranteed supports, tried to keep a low profile in defending what it already had. Insofar as farm policy making was concerned, instead of wrangling over maximizing the interest of each individual member, the agriculture community formed a loose alliance around the USDA to resist challenges from other economic sectors. Successful continuation of farm programs at a time of rapid market changes can be attributed to the leadership taken by USDA officials.

2.1 USDA Officials

Performance of a policy community cannot be separated from "the valuable services offered by officialdom"[33] because "the influence of the decision-makers' interests, expectations and values (or ideology)"[34] greatly affects the policy direction, policy making strategies and coalition needed to win policy proposals. When taking office, President Nixon did not know or care about agriculture even though he did hope it would become less dependent on government expenditures for its well-being. Like his predecessors, Nixon relied heavily on his staff to handle policy matters and preferred to have his Secretary of Agriculture shoulder the problems and responsibilities concerning this sector. Neither Hardin nor Butz failed him. Performing tasks of "direction-setting and heat-taking," Secretaries Hardin and Butz used their knowledge as trained agricultural economists, along with a knack for political manoeuvring,[35] to resist challenges from other bureaucracies, to maintain their legitimacy in agricultural policy making, and at the same time to keep their clients under control.

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[33] Heclo, A Government of Strangers, p.5.

[34] Rhodes, The National World of Local Government, p.18.

[35] "Why They Love Earl Butz," New York Times Magazine, June 13, 1976, pp.10ff.

As agricultural economists holding public office, the secretaries had institutional incentives to develop and pursue interests distinct from those who placed them in power and those whose interests they were to represent.[36] Seidman in his study indicates that department heads are "the natural enemies of the President ... but they are [also] the president's natural allies."[37] They are the president's enemies because they have their narrowly focused interests, established programs and institutionalized practices to protect which may not be identical with those of the president. At the same time, they are the president's allies because their political life is closely related to the president's and presidents rely on them for their "men, money, material, and legal power."[38] The nature of this relationship is that the Secretary of Agriculture in the process of policy making has to balance his institutional interests with the interests pursued by the president and defend both whenever possible, and meanwhile has an opportunity to tamper with both. Hardin and Butz, thus, tried to ensure a continuation of the price support system and, meanwhile, to make sure those policies would be consistent with the national economic policy guidelines.

Clifford Hardin was known as "a quiet, reserved man but a tough-minded administrator who understands farm problems well."[39] He was in sharp contrast to his predecessor, Secretary Freeman, who was described as "high-powered."[40] Having been president of the University of Nebraska for 15 years, Hardin had developed both administrative and political skill to work with both his department and congressional agriculture committees. Hardin was described to have "conformed closely to the prototypes for [his] department"[41] and to have adopted a "low-keyed consensus-building strategy" in working with the agriculture committees.[42] With this strategy, Hardin successfully played a role as a political compromiser in the face of the struggle within the farm community between proponents of government guaranteed farm prices and income and those

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[36] Terry M. Moe, "The Politics of Bureaucratic Structure," in **Can the Government Govern?**, eds. by John E. Chubb and Paul E. Peterson, Washington, D.C. The Brookings Institution, 1989, pp.267-329.

[37] Seidman, **Politics, Position & Power**, pp.84-85.

[38] Ibid. p.85.

[39] Congressional Quarterly Weekly Report, December 13, 1968, p.3263.

[40] Prentice Bowsher, "CPR Department Study: The Agriculture Department," National Journal, 1970, p.20.

[41] Seidman, **Politics, Position & Power**, p.139.

[42] Bowsher, "The Agriculture Department," p.20.

calling for greater reliance on the market system.

Earl Butz, a trained economist from Purdue University, served as Assistant Secretary of Agriculture under Secretary Benson. After leaving government he became the dean of agriculture at Purdue University. His famous (notorious?) advice to farmers in the 1950s, "Adapt or die, resist and perish," his connection to agribusinesses and his lack of "compassion toward the weak and downtrodden" at home and abroad drew the wrath of farm state and urban liberal politicians and most farm groups who were suspicious of his sincerity in serving the interests of farmers, especially small farmers, and who worried that he might abuse the "vast authority [granted by the previous legislation] to affect the income level and economic well-being of millions of farm families."[43] In contrast to the unanimous confirmation of his predecessor, Clifford Hardin, Butz's nomination encountered stiff Senate opposition. Despite his promise to "do everything possible to enhance the income and the living satisfaction of our people on farms," the Senate's vote was 51-44. This was the most votes cast against a cabinet nominee since 1959 when the Senate rejected President Eisenhower's selection of Lewis Strauss as Secretary of Commerce. Yet, once assuming the office, Butz demonstrated both his willingness and ability to defend the interests of the first clients of the USDA -- large commercial farmers.

Under Hardin, power in the USDA was shared by two men, Assistant Secretary Clarence D. Palmby and Agricultural Economics Director Don Paarlberg.[44] Both were free-marketers and export-oriented. As Assistant Secretary for International Affairs and Commodity Programs, Palmby was in charge of both domestic farm programs and international farm marketing operations, which were "the keys for determining how much a farmer can plant, what price he can sell it for, and how much of it can be traded abroad for dollars or good will in the lucrative world market."[45] Don Paarlberg, seen as a "seasoned farm adviser to Republican Presidents,"

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[43] At the time he was nominated, Butz held directorships in three large agribusinesses. He served on the board of Ralson-Purina, from which his predecessor, Hardin resigned and went to a lucrative position, International Minerals and Chemical Corp. and Stokeley-Van Camp, which were major agribusiness giants. Thus, Butz was seen as "an agent of the giant agribusiness corporations that are driving the small farmers of America off the land."(Congressional Record, 1971, p.43958, pp.43723-43736, 43966-43985; "Why They Love Earl Butz," New York Times Magazine, June 13, 1976, pp.10ff).

[44] Bowsher, "The Agriculture Department," p.20.

[45] Gavin, **The Political Economy of U.S. Agricultural Export Policy, 1971-1975**, p.36.

Palmby resigned from the USDA on June 27, 1972 to become vice-president of the Continental Grain Co. His resignation drew much criticism on the USDA's grain trade policy to the USSR. ("From Trade Triumph to Inquisition," Business Week, 9-23-72, pp.22-24; Congressional Quarterly Almanac, 1972, p.822).

became Director of Agricultural Economics under Secretary Hardin and served through the eight years. Like other director of the Agriculture Economics, he acted as "a bridge between the economics of agricultural production and the politics of farm legislation."[46] His views became widely known with the publication of his 1964 book **American Farm Policy**, which called for massive land retirement, expanded export trading and price supports based on market prices rather than parity. Other USDA officials, such as Assistant Secretaries Richard Bell and Clayton K. Yeutter were also trained agriculture economists with deeply rooted land grant college traditions.

Continuing service of these career agricultural economists as political appointees in policy making positions guaranteed the continuation of policy programs. The consensus of their economic vision of agricultural development that there would be a continuing trend of fewer farms with declining farm population, growing application of advanced agricultural technology and increased dependence on world market for American farmers' survival and well-being set the tone of agricultural policy development in the 1970s.

2.2 Consensus Building

"Since the presidency of Harry Truman," many scholars have observed, "Congress has expected the White House to formulate a legislation program, and every president has followed suit."[47] There is no exception for agricultural policy making. Congressional agriculture committees had delegated policy initiatives to the USDA since the 1930s. As issues became more technically complex, this reliance increased. Secretary Hardin and his associates, at the request of Congress, worked out a proposal to replace the 1965 Agricultural Act which was due to expire at the end of 1970. They had dismissed demands from a farm coalition formed by 26 farm organizations to expand government price support programs,[48] and a demand from the Farm

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[46] Bowsher, "The Agriculture Department," p.21.

[47] John E. Chubb and Paul E. Peterson, "Realignment and Institutionalization," in their edited book **The New Direction in American Politics**, Washington, D.C.: The Brookings Institutions, 1985, p.23; James L. Sundquist, **The Decline and Resurgence of Congress**, Washington, D.C.: The Brookings Institution, 1981.

[48] Representing a farm coalition of 26 farm organizations, Democratic Senator from Texas, Yarborough, made the point clear: "The current farm programs have benefitted the Nation's economic stability, they have strengthened the American consumer's food-and-fibre dollar, and have provided more equitable treatment of the farmers who contribute so much to this Nation's well-being." Thus, "it would be disastrous folly for us to turn our backs on experience and to scrap these proven programs for any of

Bureau to phase out the government farm price and income support programs in five years.[49] Instead, Secretary Hardin made it clear that the continuation of farm programs was inevitable -- "We cannot disengage in five years from a dependence that has been built up during a third of a century."[50] Thus, the USDA proposed to establish two new programs -- set-aside and domestic allotment and diversion programs.[51] Then Secretary Hardin held closed-door meetings with the Chairman of the House Agriculture Committee, W.R. Poage (D-TX), to work out a politically and economically feasible and acceptable farm bill for 1970. By the time the congressional committees were holding hearings on the 1970 farm bill, the two men had already held between 30 and 35 meetings.[52]

The USDA's initiative was once again called upon in 1973 when the 1970 act was to expire. By the time a new farm bill was being considered, the country's economy had changed dramatically. While market prices of agricultural products were high and farmers were making full returns on their production costs, the country was plagued by serious economic problems, among which inflation was on the top of the list. Consideration of high food costs, economic growth, and international competitiveness was now far more politically potent. There was wide speculation that farm programs would be the first target of government budget cuts.[53] The

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the untested and unproven and radical alternatives." The coalition included groups such as the National Grange, the National Farmers Union, the National Association of Wheat Growers. It proposed a continuation of existing commodity legislation with amendments aiming as increasing returns to complying farmers. (**Agricultural Act of 1970**, hearing before the Senate Committee on Agriculture and Forestry, 91st Cong., 2nd Sess., 1970, p.85ff, p.268ff).

[49] The Farm Bureau proposed to phase out acreage allotments, base acreage, marketing quotas, processing taxes and direct payments for wheat, feed grain and cotton in five years and return to a "market-oriented program." "Farm Bureau's recommendations were not seriously considered by the House Agriculture Committee because a majority of its members supports the continuation of existing commodity programs," complained Farm Bureau officials. In fact, the proposal was opposed by almost everyone in agriculture community, including USDA officials. (Charles B. Shuman, President of the Farm Bureau, statement before hearings of the Senate Committee on Agriculture and Forestry, in **Agriculture Act of 1970**, 1970, pp.315-321; W.H. Hamilton, "Farm Policy Legislation for the 1970's: The Farm Bureau Position," American Journal of Agricultural Economics, v.52, 1970, pp.673-675, p.675).

[50] Congressional Quarterly Almanac, 1970, p.640.

[51] **Agricultural Act of 1970**, pp.84-90, 251-289, 315-321; Congressional Quarterly Almanac, 1969, p.747.

[52] **Agricultural Act of 1970**, p.91.

[53] As it was reported by Time magazine: "One hitherto sacrosanct spending item being eyed by budget cutters is the farm subsidy program, which this fiscal year will cost taxpayers about $3.5 billion." (Time, January 29, 1873, p.40).

USDA was under strong pressure to relax agricultural production controls[54] and to control inflation. Most people in the agriculture community realized, as Senate Agriculture Committee chairman, Herman E. Talmadge, stated: "Drafting new farm legislation this year comes at what is perhaps the poorest possible psychological and political moment."[55] The important political issue facing the USDA was, thus, how to pass a farm bill which would provide adequate financial guarantees for farmers in case of a market collapse without evoking opposition from other economic sectors and government agencies concerned more about food costs, inflation, fiscal responsibility, international trade and the balance of payments.

Instead of submitting a formal policy proposal to Congress, Secretary Butz chose to provide a policy guideline and then work with the agriculture committees to avoid conflicts over farm support with farmers and farm politicians and questions of relaxing production controls with other government agencies. The proposal included a continuation of the set-aside program, an extension of the 1970 Act for four years, and more discretionary power for the Secretary.[56] Even though they had been advocating a free market system in agriculture, Secretary Butz and his top adviser, Paarlberg, realized that it would be neither politically nor economically feasible to get rid of the price support system. It was argued that the heightened uncertainties deriving from the volatile market and the openness of American agriculture made it more imperative for the Secretary to reserve authority to set aside cropland from production and to retain authority to make loans to basic commodity farmers as a cushion. At the same time, however, Butz did express his sensitivity to the general political climate of an unsympathetic, urban-oriented Congress, and the public belief in the alleged high prices of food. He requested that price supports, in whatever form, be set at a reasonable level.

When it submitted its policy proposal to the agriculture committees, the USDA set the tone of the coming debate and, therefore, shaped the policy agenda. The combination of

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[54] In June and August, 1972, Secretary of Treasury, George Shultz, and CLC Director Donald Rumsfeld, in enunciating the administration's economic policy, asked Secretary Butz to reevaluate the restricted set-aside program, implemented earlier in the year, and to reduce the set-aside acreage in order to increase production and alleviate the pressure of rising food prices. The USDA refused and argued that instability of the market might undermine the farm income which had just been raised. On January 11, 1973 Secretary Butz finally announced releasing 15 million acres back to production.

[55] Congressional Quarterly Almanac, 1973, p.290.

[56] statement of Secretary Butz, in **General Farm Program**, hearings before the House Agriculture Committee, 93rd Cong., 1st Sess., 1973, pp.2-7.

delegation and discretion is a pervasive characteristic of the modern bureaucracy. Many innovative and trend-setting public policy decisions are based on the delegated power of bureaucracy. Thus, asking the Secretary to submit a policy proposal and asking USDA officials to work with the committees, Congress provided a good opportunity for the USDA to set the pace of movement and the direction for change. The USDA was not at all uncomfortable with the situation. "That's not all bad," said Paarlberg. "By playing good defense you can protect a lead, or you may be able to get the ball back."[57] Meanwhile, by working behind the scenes with the congressional committees before the policy proposal was made public, the USDA was able to get away with "thorough checking by the Budget Bureau," a scrutiny later secretaries would have to face, while "the direction of policy still bears Butz stamp."[58] Three reasons may explain Hardin's and Butz's strategies. One lay on the side of Congress; the other on the executive side. The third one was the complexity of agricultural policies, which was not at all a new issue in the 1970s.

The so-called farm bloc in Congress was long gone, and with the decline of the farm population and the 1962 Supreme Court "one person one vote" decision, the distribution of the House Representatives changed dramatically. Congress had more urban representation. According to the Congressional Quarterly, when the 91st Congress convened, "only 31 of the 435 House districts contained 25 per cent or more farmers."[59] In 1973, there were only 14 House members who came from districts with 20 percent of their population on farms, and 34 members from districts with 10 percent or more of their workers employed on farms.[60] The seniority system helped farm state politicians to hold some important congressional positions,[61] but the system itself was under constant attack from liberals and urban politicians. Farm state legislators had called for help from their urban colleagues and traded votes with them to pass farm legislation

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[57] Don Paarlberg, "Agricultural Programs in the Seventies: The Political-Economic Environment," Southern Journal of Agricultural Economics, v.5, no.1, July, 1973, p.21.

[58] Bowsher, "The Agriculture Department," p.20; Daniel Balz, "Butz: Out to Harvest the Farm Belt Vote for Ford," National Journal, 1976, p.81.

[59] Bowsher, "The Agriculture Department," p.27.

[60] Congressional Quarterly Weekly Report, 1973, p.1149.

[61] Three of the four positions important to agriculture were occupied by Southerners. Both Senate and House agriculture committee chairmen, Talmadge and Poage, were from the Southern states with major cotton interests. Jamie Whitten, from Mississippi, was the chairman of the agriculture appropriation subcommittee in the House.

for over a decade. But by the end of the 1960s, it had become clear that the strategy of trading votes between urban and farm congressmen was no longer as effective as it had been earlier. While the Republicans remained divided between different approaches in solving agricultural problems, the character of intra-party vote trading among Democrats had gradually changed as urban Democrats grew further apart from their rural colleagues and became increasingly restive about supporting farm subsidies and increasingly angry at the House Agriculture Committee over food aid for the poor and other welfare programs.[62] Most farm politicians were aware of the situation and realized that they had to deal with food prices and government agricultural spending. If they were not willing to do so, there would be "a consumer rebellion that will make it impossible for us to have a farm bill when it comes to writing the check in the Committee on Appropriations."[63] Thus, while Northern Democrats discussed the merits of limiting subsidy payments (which primarily affected Southern cotton planters) and the removal of food aid programs from the USDA (which would deprive traditional bargaining devices and make evaluation of farm programs wholly on their own merits), the Agriculture Committees had come to recognize the imperative need to work with USDA officials behind the scene.[64] Senator Dole made this point clear when he said:

> You understand that the farmers don't control the Congress these days, particularly on the House side. It is a very urban oriented Congress -- certainly not rurally oriented. I note you have some criticism of the "consensus" approach, and I want to point out it has been a bipartisan approach. I am certain Congressman Poage has participated, that is not to say he agrees with all the proposals, but the House Committee has really been working on a bipartisan basis trying to find some way to reason out the problem we have.[65]

The first Nixon administration was under tremendous pressure to curtail government spending in order to curb inflation. Spending on agriculture was one of the main targets of a possible cut. Hendrik Houthakker, President Nixon's farm specialist in CEA, argued that expenditures on agriculture had been [illegible] high and that farmers had been overly restricted in their

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[62] Nick Kotz, **Let Them Eat Promises: The Politics of Hunger in America**, Englewood Cliffs, N.J.: Prentice-Hall, 1969.

[63] Congressional Record, 1973, p.18866.

[64] Congressional Record, 1973, p.18900.

[65] **Agricultural Act of 1970**, p.91.

production and marketing. He called for "prices that will enable American farm products to be sold in the world market without subsidy" and a desirable and gradual approach to greater freedom for farmers. "The government should not attempt to control the output of particular crops," said Houthakker. But rather "this function should be left to market prices."[66] With unprecedented competition for public funds, the public and government officials argued that farm program operations and spending be effectively controlled.[67] Under pressure from the President, Secretary Hardin was forced to adopt a strategy which allowed him to continue the farm programs.

In 1973, even though the administration made it clear that it wanted to "reduce the farmer's dependence on Government payments through increased returns from sales of farm products at home and abroad,"[68] increasing concern for other economic ills -- oil crisis, rising food prices and inflation -- attracted major attention from Secretary of Treasury George Shultz and Director of the Cost of Living Council (CLC) John Dunlop. "The White House by its own actions created a power vacuum in food and fibre policy in Congress."[69] The administration basically relied on the Secretary of Agriculture to pass its message to Congress and apply certain pressure there. Butz, as a door-keeper for the President in controlling the budget spending in this sector and an advocator of "free-market" agriculture, quickly conveyed the message to the agriculture committees, saying that target prices and loan rates had to be set at a reasonable level and that he would suggest a veto on any "inflationary" farm bill.[70] Desperately wanting a continuation of some kind of government support program as a cushion to protect farmers, the

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[66] Hendrik S. Houthakker, "Farm Policy in an Urban Society," in the Agricultural Policy Institute, **A Review of Agricultural Policy, 1970**, April, 1970, p.55.

[67] John A. Schnittker, "Priority in Commercial Agricultural Policy," in **The 70's Challenge and Opportunity**, 1970, pp.15-22.

[68] President Nixon, the State of the Union address, Congressional Quarterly Almanac, 1973, p.16-A.

[69] Bonnen, "Implications for Agricultural Policy," p.398.

In the case of the 1973 Act, the leader in OMB on agricultural matter, William Morrill, was transferred to an assistant secretary position in Health, Education, and Welfare Department (HEW), which left a vacuum in the executive branch with no one to coordinate agricultural legislation. CLC, OMB and the CEA attempted to influence events but with little apparent effect. "Secretary Butz was the clear representative of the Administration, and he felt little or no pressure to confer with other Executive agencies." (Glenn L. Nelson, "Agricultural Developments," in John T. Dunlop and Kenneth J. Fedor, eds., **The Lessons of Wage and Price Controls -- The Food Sector**, Boston: Harvard University Press, 1977, p.60).

[70] Congressional Record, 1973, p.18629.

House agriculture committee lowered the target prices and loan rates set by the Senate committee to avoid an elimination of the escalator clause it wanted.

Meanwhile to prevent an elimination of price support programs, Butz and his associates in the USDA went to the public with their studies, showing that "farmers were taking their cuts in Federal program spending -- in the interest of budget and inflation control, and to keep taxes from rising," and that "to terminate these programs abruptly would constitute economic disaster for many farm people" and would lead to enormous surpluses and potential economic disasters.[71] After these studies were made public, few people still believed that the administration was sincere to discharge the traditional farm programs, and very few people wanted to see the farm programs being dismantled.[72] What happened in 1973 shows that "bureaucrats have substantial power to set the government's agenda, make valuative decisions, interpret the decisions of other bodies ..., and operate in an environment of relatively silent politics."[73]

Finally, the immense complexities of farm legislation required expertise in formulation. The USDA was the only agency which was able to provide knowledge, personnel and expertise in such policy formulation. Congressional agriculture committees in the early 1970s were still short of staff to make adequate studies on alternative policy proposals and "many congressional agricultural committee staff functions, particularly in policy and program evaluation [were] performed by the staff of the U.S. Department of Agriculture." USDA staff members provided information they collected, analysis and evaluation of farm policy alternatives for committee members to work on.[74] Hence, it was better for the committees to turn to the USDA, which was supposed to, and willing to, defend the interests of farmers, and to work with USDA officials cooperatively, in order to maintain the traditional closed policy-making circle. Complexity of

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[71] Earl Butz, "Food, Farm Programs, and the Future," Vital Speeches of the Day, 1973, p.467; Paarlberg, "Agricultural Programs in the Seventies p.20; Congressional Quarterly Weekly Report, 1973, p.1150.

[72] In a public attitude study, 22 percent favoured increased spending on farm programs, 69 percent opposed any increase but favoured the status quo, and 9 percent were not sure. (Paarlberg, "Agricultural Programs in the Seventies," p.19).

[73] Douglas Yates, **Bureaucratic Democracy: the Search for Democracy in American Government**, Cambridge, Mass.: Harvard University Press, 1982, p.113.

[74] Weldon V. Barton, "Coalition-Building in the United States House of representatives: Agricultural Legislation in 1973,"in James E. Anderson, ed., **Cases in Public Policy Making**, New York: Praeger Publishers, 1976, pp.141-161; Bonnen, "Implications for Agricultural Policy," p.397; Congressional Record, 1973, p.18900.

policies is one of the reasons for a policy community to be able to shut out other interests in its policy making, and collection and dissemination of information are important power resources in policy making.[75] The USDA took advantage of this to retain control over the policy making process.

The passage of both the Agricultural Act of 1970 and the Agriculture and Consumer Protection Act of 1973 turned out to be quiet, and fights over specific provisions remained within the farm community. In fact, Secretaries Hardin, Butz and Chairman Poage proved to be great political compromisers and were in good control during the debate. Meanwhile, farm state politicians were willing to make compromises in setting ceilings on price support payments or giving the Secretary additional authority to decide upon the level of supports. It was reported that among farm politicians, "a marriage had been formed between the cotton groups and the National Farm Coalition," which mainly represented wheat and feed grain growers.[76] It did not arouse any public attention or cause any unnecessary trouble for either Congressional committees or the administration. Even farm organizations had realized that with the "undue influence of the Executive branch," "a desire, shared by the leaders of both political parties, to avoid major changes in farm policy," and a heavily urban American society, what they needed to do was to work together with the USDA and agriculture committees.[77] The apparent unity among farm community members may also be explained by their unpreparedness for the changing economic environment and peacetime prosperity which drew increasing attention from the public and brought new actors into agricultural policy making.

Another reason for the quiet passage of the 1970 and 1973 farm bill was that "the 'farm problem' simply does not exist for most Americans" and "a certain amount of apathy about farm legislation" existed in Congress.[78] In 1970 there was an adequate food supply at low prices on the market and farmers' income was relatively stable. In 1973 farm prices and farm income rose

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[75] Yates, **Bureaucratic Democracy**.

[76] W.H. Hamilton, "Farm Policy Legislation for the 1970's: The Farm Bureau Position," American Journal of Agricultural Economics, v.52, 1970, p.675.

[77] Reuben L. Johnson, "Farmers Union Coalition Position;" Don Paarlberg, "Farm Legislation for the 1970's;" American Journal of Agricultural Economics, v.52, 1970, pp.670-676; Hamilton, "Farm Policy Legislation for the 1970's: the Farm Bureau Position."

[78] Ross B. Talbot, "Political Factors Affecting Public Policy," in **A Review of Agricultural Policy, 1970: Proceedings of an Agricultural Policy Review Conference**, 1970, pp.37-51; Congressional Quarterly Weekly Report, 1973, p.1153.

hand in hand with the increase in agricultural exports. There were no serious problems which warranted radical changes to the existing farm programs. In fact, the focus during the 1973 Act debate in Congress had little to do with price support itself. The debate was overshadowed by two other issues which were generated by the new situation and the situation as newly perceived[79] -- food stamps for strikers and government payment limitations to complying farmers.[80] Furthermore, the "low-keyed consensus-building strategy" adopted by both secretaries was successful because their early preparation for the farm bill was appreciated by both agriculture committees and farm groups who viewed this as an indication of his willingness to work and speak for them at a time when urban pressures were growing. Behind-the-scene machinations between secretaries and committee chairmen allowed the former to exert substantial influence upon the way the debate was structured and the direction the farm bill was taking. Don Paarlberg, who was involved in the 1970s farm bill, later recalled that, "the general farm organizations were not a force in the passage of the Agricultural Act of 1970 ... the largest of the farm organizations took little part in the legislation battle."[81] Their passive role in agricultural policy making in 1970 and 1973 had more to do with the ability of USDA officials to defend effectively the traditional farm programs than their agreement on specific provisions of the farm acts.

Fundamental change of a policy community is a complicated process which involves changes in its institutional structure. This fundamental change results from, among other factors, conscious internal consensus, willingness and strategies taken by its leaders. Changes in rules, especially in informal constraints, tradition, norms and patterns of practices prove to be impervious to deliberate policies and almost immune to entirely external efforts.[82] As an established institution, the agricultural policy community not only generated its interests to sustain

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[79] Hogwood, **From Crisis to Complacency?** p.35.

[80] The coalition formed among those who were anti-labour movement and those who were opposed to food-stamp programs, headed by Republican Representative from Alabama, William L. Dickinson, proposed an amendment, requiring "a household shall not participate in the food stamp program while its principal wage earner is ... on strike." (Congressional Record, 1973, p.24928) The supporters for both stamp programs and labour movement, led by Democratic Representative Thomas Foley from Washington fought a fierce struggle in maintaining both farm programs and food stamp programs. (Congressional Record, 1973, p.24928+; Barton, "Coalition Building in the United States House of Representatives; Congressional Quarterly Almanac, 1973, pp.300-305).

[81] Paarlberg, "Agricultural Programs in the Seventies," p.19.

[82] North, **Institutions, Institutional Change and Economic Performance**, p.6.

and, more important, had developed its mechanisms which would structure preferences and the development of policy programs. Exclusion of the threatening forces from the policy making process is one of the more effective mechanisms for a policy community to maintain its favourable position in government. In the first half of the 1970s, neither Secretary Hardin and Butz nor their top advisors, all of whom were free-market- and export-oriented, were willing or ready to discontinue the farm support programs and to grant legitimate positions to other economic sectors in agricultural policy making. The effectiveness of these exclusionary practices is evident in the remarks of one insider who argued that: "Only if the base for farm policy making is broadened will we see discipline applied to these runaway programmes."[83]

3. Expansion of the Policy Agenda

Up to 1970, agricultural policy had been essentially single dimensional, dealing almost exclusively with farm problems, e.g. low farm prices, low farm income and huge surpluses. Agricultural policy making took place in an agriculture community which over time had nurtured its interests and created a structurally privileged position for itself, resulting in the exclusion of interests of other sections of society from the process. The market situation suddenly changed in 1971 when the Nixon administration unilaterally announced its withdrawal from commitments assumed under the Bretton Woods agreement and indefinitely suspended the convertibility of the dollar to gold. The policy fallout was that U.S. agricultural products became more competitive on world markets, which fuelled an agricultural export boom of unprecedented proportions which continued through the 1970s.[84] Other factors which also contributed to this boom included the detente foreign policy, which led to the Soviets' entering the world commodity markets, a decline in global agricultural output, and an emerging Malthusian crisis in the developing countries.[85]

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[83] Don Paarlberg, "Tarnished Gold: US farm commodity programmes after 50 years," Food Policy, February 1984, p.10.

[84] G. Edward Schuh, "The Exchange Rate and US Agriculture," American Journal of Agricultural Economics, v.56, 1974, pp.1-13.

[85] Don Paarlberg, "The World Food Situation: A Consensus View," Economic Planning, v.12, no.1, Jan./Feb., 1976, pp.3-7; Don Paarlberg, "The World Food Situation: Myth and Reality," Vital Speeches of the Day, v.42, no.20, August 1, 1976, pp.624-628; Lyle P. Schertz, "The New Politics of Food," paper delivered at the National Public Policy Conference, Clymer, New York, September 9-12, 1975, (NAL: ERS-619); C.W. Cook, "The World Food and Population Crisis," Vital Speeches of the Day, v.41, no.14, May 1, 1975, pp.436-438; Dale E. Hathaway, "Food Prices and Inflation," Brookings Papers on Economic Activity, 1974, no.1, p.94.

Particularly important in this scenario was that the administration managed to gain key labour support to ship American agricultural products to communist countries.[86] This export boom brought about an increase in farm prices, farm income and food prices. As a consequence, two new policy issues -- food prices and agricultural trade -- drew much more attention than the farm programs.

With dramatic political and economic changes, the farmer was no longer the only one who was affected by agricultural policies. Consumers, labour, foreign policy and the entire domestic economy started feeling the impact of these policy programs. The complexity of issues and the internationalization of U.S. agriculture attracted the attention of agriculture's traditional participants as well as widely diverse groups ranging from foreign policy specialists to consumer activists and organized labour. For contending interests to gain access to the established policy community, government organizations are needed to integrate the new demands with the traditional policy concerns and to fight and bargain with the traditional actors. Demands from societal groups are usually not sufficient to spearhead their interests onto an established policy agenda because very often each pursues its own narrow, specialized interests which cannot be accommodated to one another. It is only through the support and policy advocacy of established government officials that people representing new issues may be able to win a seat in the existing policy community.

This section examines the changes in market situations, the challenges to the existing farm programs and USDA's resistance to change. It is argued that as new issues rose and demands were made to expand the policy making circle, the established policy community continued to exclude those newly concerned interests from its policy making process by invalidating their behaviour or actions and by refusing them any legitimacy in participating in this policy area. Specifically, on behalf of the agriculture community, Secretary Butz and his associates led a defensive struggle with the CLC, Treasury and CEA in freezing prices on retail agricultural products, with the Labour in pursuing an aggressive export policy and with the State in international cooperation in agricultural aid and grain reserves. To maintain its predominant position in agricultural policy making, the USDA adopted various strategies, which included: to mobilize support from its constituencies, to "monopolize the information necessary for effective

[86] Porter, **The U.S.-U.S.S.R. Grain Agreement**, p.11.

political oversight," "promote further professionalization and more extensive reliance on civil service ... formalize and judicialize their decision procedures."[87]

3.1 Emerging Consumer Interests

Traditionally food prices were never a concern in agricultural policy making. Except during the war, there were sufficient supplies and food prices were low. Food prices had never become an issue. In his tenure, however, Secretary Butz faced a constant problem of rising food prices. Accompanying a sudden increase in foreign demand and empty government and private storage bins, farm prices and incomes increased. So did food prices.[88]

The "astronomical" food price increase was a result of both conscious decisions made by USDA officials and the nature of the agricultural industry. It had significant political and institution repercussions. Secretary Butz and USDA top officials were free-market minded and export oriented[89] and they had been working hard on opening foreign markets for American agricultural products and emptying all the government storage bins which were seen as a source of instability and depressed farm prices and incomes. They continued defending the established policies and the institution even market situations changed. In 1972, for example, when foreign demands were expanding, overall net farm production remained static and domestic production of food commodities dropped 2.2 percent below the previous year. One reason was that in January, 1972, Secretary Butz announced $4 billion in payments to farmers to withdraw 46 million acres from production under the set-aside program.[90] Thus, when the volume of farm

[87] Moe, "The Politics of Structural Choice," pp.144-45.

[88]

1967=100	1970	1971	1972	1973	1974
consumer price index (CPI)	116.3	121.2	125.3	133.1	147.7
CPI on Food	114.9	118.4	123.5	141.4	161.7

(Appendix Table I-5 and I-6, in **The Lessons of Wage and Price Controls -- The Food Sector**, eds., John T. Dunlop and Kenneth J. Fedor, Boston: Harvard University Press, 1977, pp.266-267).

[89] For example, in 1972 when Secretary Butz listed six policy priorities, five of them were about how to expand foreign trade for American farmers. (Earl Butz, "How I See Cooperatives, the Family Farmer, and Agriculture," News for Farmer Cooperatives, March 1972, p.5).

[90] On July 17, 1972, Butz announced a wheat program for maximum acreage set-aside for the 1973 crop. The total cropland area withheld from production under specific programs in 1972 for 1973 crops was double that for 1971, increasing from 37.6 million acres in 1971 to 62.1 million acres in 1972. (Agricultural Statistics, 1976, p.518) The USDA was able to resist the pressure from other sectors to

exports increased 14 percent and farm export values increased by about $3.5 billion over the year before,[91] there were 62 million acres in total held back from production, an equivalent of 18 percent of the total cropland. The media criticized the decision to hold back cropland from production as "an election-year agricultural policy deliberately rigged to pump up farm income by keeping production scarce and price high,"[92] while the USDA justified it as "necessary because of the combination in 1971 of large plantings, light corn blight damage due to record dry and cool August, and an extraordinary growing year."[93]

The sky-high food prices were also a result of the nature of agriculture, with relatively elastic demand and very inelastic short-run production. The corn blight and drought, for example, reduced the feed of livestock. By coincidence, the domestic demand for meat picked up. On top of this, the Soviet big buy of American grain undoubtedly bit into American domestic supplies, reduced the carryover of grains and raised farm and food prices.

At a time of rising food prices, public officials, especially those with a labour clientele, were urged to defend the interests of labour and consumers. Maritime unions twice in the early 1970s, backed by the AFL-CIO, boycotted shipments of grains to communist countries to protest rising food prices. These incidents forced the Labour Department to participate in the agricultural policy making process.[94] Except for unemployment, probably no issue was more serious and devastating to households and the government than rising food prices. While consumer concerns gained political power relative to producer interests, new attention was drawn to government responsibilities to deal with the rising food prices, which had resulted in high inflation.

"Presidents are the only players in the politics of structure who are motivated to create a unified, coordinated, centrally directed bureaucratic system. They want a bureaucracy they can control from the top."[95] To achieve this objective and, more important, to cope with the

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release set-aside cropland mainly because of its uncompetitive knowledge on agriculture and its control of information and high sign-up of farmers for the program. (Daniel Balz, "Butz: Out to Harvest the Farm Belt Vote for Ford," National Journal, January 17, 1976, p.79).

[91] **General Farm Program**, p.18.

[92] "The Shocking Rise in Prices," Time, 4-2-73, p.16.

[93] Butz, "How I See Cooperatives, the Family Farmer, and Agriculture," p.5.

[94] "U.S.-Soviet Grain Deal: Case History of a Gamble," Washington Post, December 7, 1971, pp.1+10; Porter, **The U.S.-U.S.S.R. Grain Agreement**, Chapter 7.

[95] Terry M Moe, "Political Institutions: The Neglected Side of the Story," Journal of Law, Economics, and Organization, v.6, 1990, p.237.

increasing conflicts between departments over farm and food policies, President Nixon with an Executive Order created the Cost of Living Council with the Secretary of Treasury as its chairman in 1973.

> To help assure that the agricultural policies of Government are consistent with the anti-inflation objective, administrative actions of the Department of Agriculture affecting food supplies and prices will hereafter be subject to review by the Cost of Living Council (CLC). The CLC Committee on Food has been set up to discharge the function as well as to review or initiate other policies and proposals that may affect food prices.[96]

The CLC had a mandate to control wages and prices, which were causing the spiralling inflation. The CLC's Food Committee was created to "stimulate a greater emphasis on consumer interests, i.e., increased supplies and lower food prices, in food and agricultural policy."[97]

Responding to the structural change of policy making, Secretary Butz adopted a strategy to confront different agencies individually. On the issue of price freeze, the USDA's direct interest was to prevent a freeze on farm products. Its argument was that farmers needed high farm prices as incentives to maximize their production to bring down soaring food prices and to compensate for low prices they had received in the previous years. Setting ceilings on farm products, either at the retail level or at the wholesale level, or even at the farm level, would lead to potential farmers' revolts and drastic reductions of production. USDA officials publicly challenged the validity of consumers' complaints of high prices by saying that "it is consumer demand which pushed beef prices upward" and "rising real incomes [were] responsible for beef price increases."[98] Furthermore, "food prices ***have*** gone up; but the paychecks of union members have never before bought as much food with a dollar of take-home pay in the history of this Nation."[99] Finally, "if farmers are going to produce the amount of food the rest of the population needs," argued Butz, "they are going to have some economic incentives to do so."[100]

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[96] CEA, **Economic Report of the President**, 1973, p.79; President's Budget Report for 1974 on January 29, Natural Resources and Environment as part of the State of the Union speech on February 15.

[97] Nelson, "Agricultural Developments," p.29.

[98] Earl Butz, "Meat Prices," Vital Speeches of the Day, v.38, no.21, August 15, 1972, p.647.

[99] Earl Butz, "Food, Farm Programs, and the Future," Vital Speeches of the Day, v.39, no.15, May 15, 1973, p.466; Earl Butz, "Food, Fuel and Famine," Economic Planning, v.10, no.5, 1974, pp.10-12.

[100] Earl Butz, "Incentives -- Our Real Food Reserve," Economic Planning, v.10, no.3-4, May-August, 1974, p.13.

These views placed Secretary Butz in opposition with other officials within the executive branch. Hence, he established his reputation as a spokesman for the parochial interests of farmers. C. Jackson Grayson, Jr., Chairman of the Price Commission of the CLC, responded, "I realized the Secretary [Butz] is speaking in behalf of his constituency but if the leader of every sector of the economy did that, the efforts to achieve price stability would be wrecked."[101] To show his determination to prevent any more increases in food costs, Grayson expressed his willingness to impose price controls on raw agricultural products. This was immediately ruled out by the administration, with Butz's conviction that such a decision would lead to reducing agricultural production, possible farmer revolts and devastating political implications in the coming presidential election.[102]

At the beginning of 1973, inflation became such a sensitive issue that it could become a political bombshell if something went wrong. "There [was] widespread dissatisfaction and rebellion among middle-income consumers as well over the rapid rise in food prices and the difficulties it [was] causing for their food budgets," which had reached "crisis proportions in the eyes of the people who must cope with them every week."[103] Housewives went to boycott meats because of persistent rising prices and labour demands for higher wages. Meanwhile, the newly reformed CLC, with George Shultz as Chairman and John Dunlop as the Director, firmly believed that agriculture was one of the typical sectors for which tight controls on prices should be imposed. Exemptions of agricultural products from price control had plagued the whole system of inflation control in the early 1970s.[104] To prevent labour unions from breaching the contract with the government and demanding higher wages, while seeking cooperation from them in inflation control, the Nixon administration imposed wholesale and retail price controls on beef, pork and lamb while maintaining controls in three "particularly troublesome" areas: food prices, health costs and the construction industry -- with the opposition from Butz who "was

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[101] quoted from "Food Prices," Editorial Research Reports, v.1, no.18, May, 1972, p.359.

[102] "Food Prices," Editorial Research Reports, 1972, p.358.

[103] Marina Whitman, "From Farm Policy to Food Policy," Vital Speeches of the Day, v.39, no.21, August 15, 1973, p.657.

[104] George P. Shultz and Kenneth W. Dam, **Economic Policy Beyond the Headlines**, New York: W.W. Norton & Company, Inc., 1977.

outnumbered eight to one."[105]

The case suggests that as a Cabinet member, a department head is a President's man and has to pay special attention to the entire endeavour represented by the executive. But as the leader of the bureaucracy, whatever his background and individual bent, s/he has to adapt to the institution s/he has inherited and respond to the institutionalized interests.[106] These two-fold, and sometimes conflicting, responsibilities allow department heads to "play presidents and congressional committees against each other" with their "own program loyalties."[107]

Furthermore, presidents must maintain the capacity to direct and constrain concerned agency behaviour in basic ways if larger presidential responsibilities -- for the budget, for the economy, for national defence -- are to be handled successfully. While there were efforts by others "to turn the Department around to work in the other direction after many years when it had as its task keeping food prices up for the benefit of the farmer,"[108] "farmers were aware there was somebody down there in Washington who knew they were out there and that I [Butz] was fighting vigorously for their right to market, for their right to make a decent living."[109] When the USDA was perceived to be less interested in representing diverse interests, the White House undertook a larger decision-making role.[110] "Nixon's effort to centralize all power of policy decision in the White House ... accelerated the drift of agricultural decision toward the White House."[111]

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[105] On January 30, 1973, C. Jackson Grayson explained the administration's decision to maintain controls on food prices as "central to the upcoming bargaining rounds (with labour unions)." Congressional Quarterly Almanac, 1973, p.206; Marina N. Whitman, "From Farm Policy To Food Policy," Vital Speeches of the Day, v.39, no.21, August 15, 1973, pp.656-658.

[106] Seidman, **Politics, Position, & Power**, Chapter 6.

[107] Heclo, **A Government of Strangers**, p.22; Seidman, **Politics, Position, & Power**, Chapter 6.

[108] quoted from Glenn Nelson, "Agricultural Developments," p.31.

[109] quoted from "Agriculture Report -- Butz: Out to Harvest the Farm Belt Vote for Ford," National Journal, January 17, 1976, p.77.

[110] Glenn L. Nelson, "A Critique of Executive Branch Decision-Making Processes," American Journal of Agricultural Economics, v.65, no.5, December, 1983, p.902.

[111] James T. Bonnen. "Observation on the Changing Nature of National Agricultural Policy Decision Process, 1946-76," in **Farmers, Bureaucrats, and Middlemen: Perspectives on American Agriculture**, National Archives Conference, Washington, D.C.: Howard University Press, 1986, p.318.

3.2 Conflicts with the State Department

"All organizations have their own routines, their own agendas, their own norms, their own ways of coding and interpreting the world, their own bases of support."[112] They pursue and expand their own separate interests which bind their leaders, career bureaucrats and clients, and generate resisting forces for change. When they seek political advantage this way, they will run into conflicts in pursuing national interests, however they are defined. Even though as rational actors, bureaucracies try not to confront each other by "creating a domain in which they have as much autonomy as possible and thus are free of jurisdictional disputes with other agencies,"[113] they will inevitably have conflicts all the time because of their desire of expansion. Presidents therefore have a unique role in the politics of structural choice to create a coherent and centrally directed agency in carrying out their policy objectives. The struggle over a closed policy agenda was also seen in the conflicts between the USDA and the State Department.

The State Department demanded a role in agricultural policy making as a step in using scarce agricultural products to revive the country's reputation as a world leader after the Vietnam War, and to pursue economic policies which would be consistent with its detente policy. The State Department had had some say in agricultural policy implementation since the end of World War II, when the Truman administration shipped food as part of the Marshal Plan to reconstruct war-torn Europe. Its role became more prominent when PL 480 was enacted in 1954. As the program developed, State Department officials discovered that it was "one of their most flexible tools for international diplomacy, a way of buying or securing friendships, rewarding allies and punishing transgressors."[114] However, this role was limited only to the implementation of the PL 480 programs. In the 1970s, State officials argued that "in a world of hunger and overpopulation, the U.S. can apply its tremendous agricultural capacity as a lever on foreign

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[112] Terry M. Moe, "The Politicized Presidency," in **The New Direction in American Politics**, Washington, D.C.: The Brookings Institution, 1985, p.240.

[113] Yates, **Bureaucratic Democracy**, p.74.

[114] Daniel J. Balz, "Agriculture Report: Politics of Food Aid Presents U.S. with Policy Dilemma," National Journal, November 23, 1974, p.1760.

countries to adopt policies beneficial to this nation."[115] As the food issue came to dominate both international and domestic policy agendas, the State Department demanded to be included in agricultural policy making through participation in cabinet-level interdepartmental agencies created by the President to coordinate economic policy decisions.[116]

To strengthen the coordination of economic policy decisions at the highest levels and consolidate policy-making responsibility in a single entity, President Ford created the Economic Policy Board (EPB) in the fall 1974, the Food Deputy Group under the EPB to deal with agricultural problems -- production, distribution, and marketing -- and the International Food Review Group (IFRG) to "coordinate the implementation of decisions and initiatives stemming from the World Food Conference."[117] The Food Deputy Group (FDG) was chaired by a member of the CEA, and the IFRG was chaired by the Secretary of State, and both included members from the departments of State, Treasury, Agriculture, Commerce, the OMB, Council on International Economic Policy (CIEP), National Security Council (NSC), Central Intelligence Agency (CIA), U.S. Trade Representative (USTR), and the Domestic Council.[118] It is as Moe points out that "structural choices have all sorts of important consequences for the content and direction of policy, and because this is so, choices about structure are implicitly choices about policy.[119]

At the World Food Conference (WFC), the State Department called for the establishment of a system of world grain reserve and expansion of food aid to the less developed countries (LDCs), using both as political and diplomatic instruments.[120] It argued that a food shortage was the main reason for political instability and, at a time of international political competition, the U.S. needed to rally its allies to counter the Soviet Union. It also proposed to establish a large

[115] "U.S. Food Power: Ultimate Weapon in World Politics?" Business Week, December 15, 1975, p.54.

[116] Porter, **Presidential Decision Making**, 1980, pp.50-55.

[117] **Who's Making Foreign Agricultural Policy?** p.31.

[118] Porter, **Presidential Decision Making**, Chapter 3.

[119] Moe, "The Politics of Structural Choices: Toward a Theory of Public Bureaucracy," p.127.

[120] Henry A. Kissinger, "The Threat of Famine: Global Cooperation," a speech delivered before the World Food Conference, Vital Speeches of the Day, v.41, no.4, December 1, 1974, pp.98-102.

world grain reserve system.[121] To Kissinger, this was an issue of global cooperation in an increasingly interdependent world and an issue of stabilizing food prices worldwide. He argued that such a reserve system would stabilize world food prices and supply, especially for the developing countries, to regulate the erratic purchasing behaviour of the Soviet Union, and to reestablish the American reputation as a world leader after the Vietnam War.[122] The U.S. must take a lead in doing so to help those countries whose political stability was threatened by the shortage of food and the fluctuation of food prices, and whose political stability was crucial to American political, strategic and economic interests in the area.[123]

While having realized that "when food and international politics become so important, decision making has to be elevated to an interdepartmental level,"[124] USDA officials were determined to maintain the dominant position in agricultural policy making by denying the legitimacy of other actors in this area. "Food is something the striped-pants boys don't understand," claimed Butz. "Agriculture still is the primary agency in developing foreign agricultural policy."[125] For USDA officials, to protect the interests of farmers was the first priority on their policy agenda. Yet, they did not want to argue publicly with Kissinger, for the latter had a lot easier access to the President and foreign policy issues often were taken more seriously by the President and the public. Instead of arguing against food as a political and diplomatic instrument, they, with their expertise in the field, mobilized support from other government agencies and the public, especially the Treasury, OMB and CEA, which were more concerned about the national economy as a whole than either foreign policy or farm policies, by demonstrating why commercial sales were in the better interest of the nation, the developing countries and farmers in the U.S.

The excessive food aid to LDCs, it was argued, would undermine production incentives of local farmers and foster a feeling of reliance on generous foreign aid. Since foreign aid usually

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[121] The grain reserve system was designed to purchase an amount of grain during times of surplus world production at low prices, to store it in various countries throughout the world and to release it when poor harvest might bring about food shortages and sharp rise in prices. The essence of the concept was **stability**, the stability of supply and of prices.

[122] Kissinger, "The Threat of Famine: Global Cooperation."

[123] Daniel J. Balz, "Economic Report: State-Agriculture Feud Delays Grain Reserve System," National Journal, June 28, 1975, p.955.

[124] **Who's Making Foreign Agricultural Policy?** p.11.

[125] Ibid., p.114.

depressed food prices in the local market, the aided countries would become more and more dependent on foreign aid instead of producing themselves. Thus, the USDA should promote commercial agricultural sales to promote competition instead of food aid.[126] To win sympathy and support from other government agencies, they held that more commercial sales of U.S. agricultural products could pump "more dollars into the national economy to battle recession and unemployment."[127] At a time of high food prices, an increase in food aid would mean increased government expenditures on foreign aid. Neither the Treasury nor the OMB liked the idea.[128] Furthermore, at a time of growing international competition, USDA officials called upon American allies to shoulder the burden of helping LDCs. It was said that the U.S. had already provided the largest share of aid among all the developed countries by providing 84 percent of all food aid. This big share was now burdensome for the American people and their government. Hence, other developed countries should share the responsibility.[129] This argument was also supported by officials from the Treasury, OMB and CEA. Finally, they held that farmers in the U.S. needed incentives to maximize their production. When farmers had produced more than they could sell on the world market at a reasonable price, The Food for Peace program was created in 1954 to dispose of agricultural surpluses, develop foreign market, improve foreign policy and provide humanitarian assistance. At a time when world supplies were tight and prices high, however, the competing needs should allow the order of the objectives to alter to benefit U.S. farmers.

Secretary Butz, Assistant Secretaries Clayton Yeutter and Richard Bell and their associates openly opposed the proposal of the world grain reserve system and argued for the free function of the market system. They contended that "prices are the reason" for the high economic efficiency in the U.S. Higher prices and profits would stimulate more production which would

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[126] Butz, "Food, Fuel and Famine."

In responding to this argument, the State official argued that, "We have the food, and the hell with the rest of the world." ("U.S. Food Power: Ultimate Weapon in World Politics?" Business Week, December 15, 1975, p.54).

[127] Ibid. p.8; Daniel Balz, "Politics of Food Aid Presents U.S. With Policy Dilemma," National Journal, November 23, 1974, pp.1760-1766.

[128] Balz, "Politics of Food Aid Presents U.S. with Policy Dilemma;" "State-Agriculture Feud Delays Grain Reserve System," National Journal, June 28, 1975, pp.951-959.

[129] Butz, "Incentives -- Our Real Food Reserve," p.15.

eventually solve the problem of world food shortages.[130] Without price fluctuations, they believed, farmers might not have incentives to produce or they might overproduce, which would lead to the old problem of surpluses. With large grain reserves at hand, the market pricing system would be destroyed by human manipulation of production and marketing.[131] The USDA officials were also worried that a commitment to a bigger share of a world grain reserve would mean that other countries would be in a better position to compete with the expanding world market. USDA officials did not like the idea that the U.S. would be a world food reserve. "Responsibility for holding reserves would be shared **equitably** among participating nations."[132]

Moreover, a commitment to a bigger reserve and food aid would mean fewer resources to the market development programs, originated in the Food For Peace program. USDA officials and the congressional agriculture committees agreed that it was essential for the government to continue its involvement in export market expansion. Butz made this point clear:

> The United States is not the only place where other countries can buy farm commodities. Nor are we the only producing country that likes to earn foreign exchange by exporting farm products. That's why most of our competitors are spending more market development money in proportion to annual export sales than we do. As food supplies improve, it will become even clearer that a supplier who wants to stay in the world market must carry on a sound and consistent market development program.[133]

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[130] Clayton K. Yeutter, "Prices: Power to the People," Vital Speeches of the Day, v.40, no.22, September 1, 1974, pp.689-690.

[131] Farmers always considered government's holding as potential competitor to farmers on the market. That was why in the 1948 when the CCC was created the law made clear that the CCC could not release its carry-over at less than 110 percent of the government support prices. Now, finally, "the government storehouses are empty. The U.S. Government want them to stay that way," said Butz. "The Department of Agriculture is no longer in competition with farmers." (Earl Butz, "Agriculture -- Economic Backbone of America," Economic Planning, v.12, no.1, January-February, 1976, p.8).

[132] Butz, "Agriculture -- Economic Backbone of America," p.9.

The EC did not want to discuss the issue of establishing a grain reserve system at the WFC and insisted that bargaining be held in the multilateral trade negotiation under the GATT. The U.S. wanted it to be held at the WFC because it wanted to bring the Soviets into the negotiation, who was not a member of the GATT. The EC did not really want to touch the topic because it "constantly attempt(ed) to carry as small a carry over of grain as possible each year using export subsidies of over $1 per bushel to dump grain in the international markets." (**Who's Making Foreign Agricultural Policy?**, p.97).

[133] Quoted from "Developing Markets for U.S. Food," National Journal, June 7, 1975, p.860.

The point was important because in less than a decade the competition between the U.S. and other exporters would become so severe that the original market development programs were to be turned into

While the discussion over the establishment of a world grain reserve system did not go anywhere because of the opposition of the EC, it does reflect the disputes within the administration. Except for the State Department, no one other government agency was more interested in the American image than its concrete economic benefits; as some White House officials expressed, "We've got tremendous domestic economic problems and we've got a need to retain our own flexibility as a country "[134] In this sense, the USDA and Butz were successful in mobilizing support from other agencies to maintain its priorities and its control in agricultural policy making.

Finally, in proposing the world grain reserve system at the WFC instead of the General Agreement on Tariffs and Trade (GATT) in which the Soviet Union was not a member, the State Department hoped to "get the Soviets to assume some of the burden of holding extra stocks" and even their erratic buying pattern. "The system must assure access to supplies for countries that participate in it."[135] For State officials, the availability of sanctions would be incentives for countries to participate in the system. Yet, even though the provision did not say that non-participants could not get access to the reserve, for the USDA it meant that some kind of potential export sanctions might be used in time of shortage. The USDA officials argued that any sanctions would imply export controls which would harm U.S. farmers and damage their export markets. They were so proud of the Soviet market they had opened and expanded in the first half of the 1970s that they would not allow anything to happen to jeopardize it.[136]

Later, State officials argued that since "the Soviets are increasingly dependent upon the U.S. market for their grains to meet their growing requirements," there came "a leverage and a control over their performance."[137] The U.S. could use it to persuade the Soviets to keep their hands off the Middle East during Secretary Kissinger's negotiations on the Egyptian-Israeli accord, to settle the problem of the Soviet presence in Angola, to promote the installed SALT talk and swap oil for grain on favourable terms.[138]

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huge subsidy programs in these countries, including the U.S.

[134] "Kissinger's Attempt to Raise Commitment," National Journal, November 23, 1974, p.1762.

[135] Balz, "State-Agriculture Feud Delays Grain Reserve System," p.955, 958.

[136] Balz, "State-Agriculture Feud Delays Grain Reserve System;" "State, Agriculture Differences Over World Reserve Plan Narrowed," p.1304.

[137] **Grain Sales to Russia**, hearing, December, 1975, p.7.

[138] Daniel J. Balz, "Making Diplomatic Hay?" National Journal, December 27, 1975, p.1758.

Any policy community is insulated from, and often in conflict with, other communities because of the identification of specialized problems and an "expectation that regularized relations emerge between interests and officials."[139] It is in the interest of a policy community to maintain the policy agenda as long as possible and it has several institutional instruments to do so. It has the control, for example, of political legitimacy, information, resources and established procedures which constitute a potential for the exercises of power and realization of its political goals. Yet, it is not immune to challenges or impenetrable by unrecognized groups or by the public. When challenges emerge, the established policy community will utilize its advantageous opportunity to defend its position and to ostracize from the policy process those groups of which it does not approve. This is what happened under Secretary Butz in agricultural policy making.

Presidents had depended upon their Secretaries of Agriculture to deal with the congressional agriculture committees and farm constituents. Other government agencies seldom had any real say in this policy area. While the traditional policy issues remained, new issues emerged which brought new expectations on government actions to deal with new problems. The USDA was facing increasing pressures from other government agencies to take consideration on broader policy issues. "The difficulty of challenging the agenda from outside means that often the pressure for change will only come from within government."[140] If government is faced with new problems and conflicts arise among government agencies, the Executive often undertakes an increasing magnitude of responsibilities with "the luxury of choice between the many available strategies, including bargaining, incorporation and direction."[141] In sum, challenged by other departments and the President's efforts to establish centralized coordination and control, the USDA obtained support wherever possible from the farm community and other government agencies in order to maintain its dominant position in agricultural policy making within the administration.

3.3 Presidential Veto in 1975

While the USDA was created as an instrument to protect and promote the welfare of agriculture and farmers, it played a critical role in directing and controlling farm interests at the

[139] A.G. Jordan and J. J. Richardson, **Government and Pressure Groups in Britain**, Oxford: Clarendon Press, 1987, p.92.

[140] Smith, "Changing Agenda and Policy Communities," p.161.

[141] Rhodes, **The National World of Local Government**, p.26.

same time. As a government agency, it was more than a conduit for political interests. Its institutional interests, thus, were not entirely congruent with those of farmers and farm politicians. This is a typical principal-agent relationship. Bureaucracies are agents of their congressional creator, the principal, which cannot guarantee that the agent will act in its best interests. Moe comments that "the agent has his own interests at heart, and is induced to pursue the principal's objectives only to the extent that the incentive structure imposed in their contract renders such behaviour advantageous."[142] This is the kind of problem that all of us have to deal with in everyday life as we choose doctors, lawyers and accountants to act on our behalf. Also, in addition to expertise in the area in terms of substantive issues, their own traits, and delegated authority from Congress over the years, USDA officials, as political appointees, had a special concern to pay special attention to the White House as well as to their own interests. This allowed them to pursue policies which would be consistent with nationa. economy policies and which might be liked by specific interest groups.

At the beginning of 1975, while many parts of the world were overwhelmed by the crop failure and starvation, American farmers and their representatives in Congress had other parochial interests to worry about -- that is, the fear of plenty. Since 1973, farmers were asked and willing to plant from "fence row to fence row" and had put 40 million acres back into cultivation with nearly every one in three harvested acres producing for export.[143] Meanwhile, the oil crisis led to a high increase in the costs of farm production with rising prices for four major resources -- arable land, water, energy and fertilizer. Worries crept in also when farmers thought of situations where the grain was not needed overseas, or the spectre of a grain embargo arose as it did in 1973. Farmers realized that the target price set by the 1973 farm act would not pay them what it cost to produce the crop if market prices dropped below the support level. Expressing their fear, farmers said, "It's scary for all of us; we've got more risks."[144] Their representatives in Congress were also worried about the potential decline in international demand for U.S. agricultural products which would inevitably lead to a sharp decline in farm prices and farm

[142] Terry M. Moe, "The New Economics of Organization," American Journal of Political Science, v.28, 1984, p.756.

[143] Earl Butz, U.S. Agriculture Policy: Food Power in A Hungry World," National Journal, October 2, 1976, pp.1404-1405.

[144] Congressional Quarterly Weekly Report, 1976, p.2604.

income thereafter. The target price system was one of the major measures still in the book through which the government could intervene in the market place as a purchaser of farm products in the event that the market price for their products was lower than what the government set as a fair price.

In order to protect farmers from further cost-price squeezes and to stimulate production, the House Agriculture Committee took some legislative actions earlier than scheduled -- the existing law, the Agricultural and Consumer Protection Act of 1973 -- that would expire at the end of 1977. Supported by both urban politicians, who wanted to see production encouraged at a time of tight supply, and farm politicians, who called for high price supports for farmers and an adequate price floor, the House and Senate agriculture committees passed a one-year emergency farm program with increased target prices and loan rates for wheat, corn, cotton and soybeans for the 1975 crop only.[145] The bill was also endorsed by organized labour as well as by consumer groups.

When the bill was still in committee, Secretary Butz expressed his opposition to the bill. He wrote to the House committee and warned that he would recommend a veto to the President on any bill proposing a return to the old system. Butz and other USDA officials realized that farmers were caught in a price-cost squeeze and faced the threat of declining farm prices resulting from either bumper harvests or reduced demand. They argued, however, that the situation was less than urgent for emergency relief because the domestic and world demand for American farm products was still high and would remain high for some time. Having realized that the emergency bill might not cost government anything if market prices stayed high, USDA officials were worried about the high floor set in the bill. "I assume," said Butz, "the risk is that once we learn ... you can raise target prices by $1.25 a year later you come in for a $1.25."[146] Their main concern was that the nature of the bill might lead the industry back to the old government support

[145] In the House Agriculture Committee, two new members, both of whom were from the urban districts, Frederick Richmond (D-NY) and John Krebs (D-CA), claimed that they were representing the consumer and trying to "work out a fair consumer-farmer coalition bill." They argued that farmers needed a price floor just as consumers had the minimum wage. At the time when there was no surpluses in wheat, corn, and soybeans, production should only be encouraged instead of being cut back. To encourage production, farmers had to be provided with adequate price supports as floor and at the same time consumers should be protected with reasonable prices. "The common interests for consumers and farmers lies in a food policy which encourages production but does not cause consumer prices to rise." (Congressional Record, 1975, pp.7374-75).

[146] Congressional record, 1975, p.7377.

system and undermine export opportunities. In a letter to Senator Robert Dole (R-KS), Secretary Butz wrote:

> It is true that costs of farm production have been pushed upward by the same inflationary pressures that have affected other industries. But there is no overall "emergency" in the farm sector ... The bill would deny farmers the incentive to produce commodities needed in the marketplace, causing them, instead, to produce for Government guarantees ... And it would force the U.S. farm goods out of world markets, weakening our position in world trade, and destroying the benefits to our economy of record-high farm exports.[147]

USDA officials were proud of the achievement they had made since 1972 regarding agricultural export and domestic farm support programs, which, it was argued, had shifted farm supports from "incentive levels to income protection levels"[148] with the establishment of the target price system. Even though having succeeded in the change "unintentionally" and "with less of a jolt than most expected," USDA officials decided to maintain it because, in their view, turning target prices and loan rates into incentive prices would perish the export market.[149]

Since the 1930s, the USDA had been staffed by experts who presumably knew best how to deal with the complex, specialized problems of agriculture. Their deep-rooted land-grant college tradition made sure that they shared and would serve the interests of farmers once they were granted authority, and meanwhile their expertise enabled them to pursue some distinct policy objectives which would not always be identical with those pursued by their clients. Furthermore, as political appointees they were presidents' men and had different interests and perspectives on policy issues from those of politicians in Congress, whose "jobs and incentives are structured by their 'electoral connection' to voters in their home districts."[150] In fact, "legislators often have incentives to design bureaucracies that they cannot control by granting them the authority to fill in the detail."[151] They and clientele interest groups tend to grant

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[147] Congressional Record, 1975, p.8613.

[148] Earl Butz, "U.S. Agriculture Policy: Food Power In A Hungry World," National Journal, 1976, p.1405.

[149] Don Paarlberg, "Emerging Policy Issues," **1977 U.S. Agricultural Outlook**, papers presented at the National Agricultural Outlook Conference Sponsored by the USDA, November, 1976, Committee Print, 94th Cong., 2nd Sess., 1976, pp.168-172; Earl Butz, "Lets Learn From History," Grain and Farm Service Centres, February 9, 1977, pp.12-15.

[150] Moe, "Political Institutions: The Neglected Side of the Story," p.216.

[151] Moe, "The Politics of Structural Choice," p.131.

experts in bureaucracies discretion anyway, owing to their limited expertise. Politicians have narrowly defined interests to protect and often have limited knowledge on policy issues they have to handle. Groups are plagued by a fundamental source of uncertainty and they depend upon politicians and bureaucrats to carry out their policy objectives. They, then, do not have much choice but to allow the experts in bureaucracies to have as much discretion as possible.

One aspect of this autonomous institutional power is control over collecting information. "Bureaus will be more autonomous when they themselves generate the information, technical or otherwise, required for the pursuit of their mandate."[152] Having realized that they might not be able to stop a freshmen coalition with the support of the traditional farm people, nor wanting to raise too much opposition to provoke the resentment of farmers, whom they considered as their only constituents, Secretary Butz and his associates undermined the coalition by using manipulated data to show the possible increase in government spending on support and in the cost of consumers. They estimated that the House bill would cost the federal government $884 million for price support in 1975. Don Paarlberg, Butz's top economic adviser, estimated the cost of the Senate bill as high as $7 billion in 1977. By providing misleading information, USDA officials were able to convince those who were worried about the deficit to support their position in opposing the bill.[153] In addition to the high government expenditure, the USDA also "went for the consumer's jugular," telling politicians that food prices could be expected to increase. For example, it was argued, prices for milk could be expected to increase 8 cents per gallon, 10 cents per pound of cheese and 20 cents per pound of butter.

Meanwhile, USDA officials were trying to mobilize support from other government agencies. Convinced by the USDA study that the costs of both farm programs and consumer prices would go up, Secretary of Treasury William Simon wrote a letter to Representative John J. Rhodes (R-AZ), saying:

> This bill would reverse the significant progress we have made over the past two years in reducing the Federal Government's role in agricultural markets. The bill

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[152] Michael M. Atkinson and William D. Coleman, **The State, Business, and Industrial Change in Canada**, Toronto: University of Toronto Press, 1989, p. 81.

[153] A reporter from the National Journal commented, "Almost everyone is forced to rely on the Department for basic agricultural statistics: the legislators, the committee staffs, the lobbyists, the press, and the public. Only the Department has the resources to produce the data everyone wants, and for that reason the Department's ploy was almost totally successful." (Dan Balz, "Why Johnny Can't Eat: The Saga of the Farm Bill," Washington Monthly, v.7, no. 5&6, July-Aug., 1975, pp.37-48, p.42).

> also would adversely affect the competitiveness of U.S. farm products in world markets, reduce U.S. exports, worsen the U.S. balance of payments, lead to inflationary budget deficits, cause direct increases in food prices, and lead to future governmental restrictions on food prices.[154]

Other government officials from the administration also publicly supported the position taken by the USDA. Gary Seevers, the major agricultural economist in the CEA, and Albert Ress, director of the administration's Council on Wage and Price Stability, called a press conference. Like Simon, they said that they would recommend a veto to the President if asked. In doing so, the administration was attempting to maximize publicity of its opposition to the emergency bill among urban consumers and urban politicians. The bill passed both Houses very easily with the support from both urban politicians who wanted production stimulation and farm politicians who wanted a high price-support floor.[155] President Ford vetoed the Emergency Agricultural Act of 1975 on the grounds that the bill would add $1.88 billion to the federal deficit, the number provided by the USDA , and "would damage our international market position which is so essential to American agriculture's long-term interests."[156] The House sustained the veto by 245-182.

This analysis suggests that, first, as an established institution, the USDA over the years had generated its own beliefs, interests, norms and patterns of practices and, second, it had control over expertise and information gathering. "Information is power within the policy environment, [which] facilitates the concentration of power deemed conducive to policy innovation."[157] A consensus was held by USDA policy makers and its economists that target prices and loan rates should not be increased to the point where they would become incentive prices, which would inevitably lead to surplus production and reduce the ability of American farmers to compete on the world market. This view reflected new economic thinking that resulted from the changed domestic and international economic environment. This had its political consequences because ideas articulated by the experts created conditions for influencing public

[154] Congressional Record, 1975, p.7384.

[155] The House passed the conference bill by a vote of 248-166 and Senate by voice vote.

[156] Congressional Quarterly Almanac, 1975, p.34-A.

[157] Peter Hall, "Policy Innovation and the Structure of the State: The Politics-Administration Nexus in France and Britain," The Annals of the American Academy of Political and Social Science, no.466, March 1983, p.47.

opinion. Furthermore, consumers became one important political force from which both proponents and opponents of the emergency farm bill tried to get support. In the public eye farmers had benefitted a great deal from the detente policy of opening the Soviet market, while consumers had suffered a great deal from the resulting rising food prices. Thus, the necessary coalition to pass the bill, between farmers, labour and consumers, was easily broken in face of the threat of rising food prices, as estimated by the USDA. Dependence on building coalitions and exchanging votes could hardly lead to an override of the veto.

The ability to monopolize information necessary for political control is one important element of the bureaucracy's power in representing the interests of its clients and in checking their demand. In fact, during the debate, some politicians realized that "there has been much misinformation circulated about the actual cost of this bill to the housewife and taxpayer ... a large part of this misinformation comes from the Department of Agriculture."[158] Even opponents of the bill, the Consumer federation, for example, said that "USDA figures were a scare tactic designed to create hysteria among consumers."[159] Most groups including legislators, their staffs, farm groups, labour, consumers groups, and other government agencies, relied on the USDA to provide statistics to make policy analysis. The USDA was the only agency which was equipped and had the resources to collect the data everybody needed. Once the manipulated data became the headline of the media, the image of the bill could hardly be changed. Thus, even though the department's information turned out to be deliberately misleading, the damage had been done. The bill was cast in the public mind as a high-priced sell-out to farmers and this split both politicians and the public, who were willing to support an expensive farm bill with less expensive food prices. In sum, at the core of the agriculture community, the USDA was an autonomous agent, which continuously constructed, enacted and changed its organizational strategy according to its subjective meanings and interpretations imputed to other participants.

Conclusion

The first half of the 1970s was an exciting period for American agriculture and farmers. Increased demand for American agricultural products brought unprecedented increases in farm prices and farm income in peace time. The changing economic situation added an international

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[158] Congressional Record, 1975, p.7669.

[159] Congressional Record, 1975, p.14085.

dimension to the traditional farm programs and had its political repercussion on agricultural policy making. Farm programs were extended into agricultural policies which included farm, food and trade dimensions. New policy issues brought new actors who demanded a say in agricultural policy making. Facing the challenges from the new actors, the agricultural community, led by the USDA, as an established institution which had generated its own interests and created its specific norms and patterns of practice, was determined to maintain its position in this policy area.

The new economic situation led to a change in the direction of farm programs which became more market-oriented but did not result in a substantial opening of the policy making circle. This is because the established institution had various mechanisms at hand to mobilize the bias and resist radical changes, such as information gathering, clientele support and the privileged position upheld for decades. The study shows that Secretary Butz played an important role in defending the interests of farmers and agriculture and those of the USDA and the established policy programs and institution. Nevertheless, it is not only the question "of the prowess and perspicacity of technocrats within the state apparatus but ... of an institutional structure that is durable and effective."[160] In summary, the widely accepted belief of agriculture's importance in the national economy and the historically nurtured institutional structure which allowed the USDA to defend the interests of farmers without taking much consideration of other societal segments were the primary factors determining the farm politics of the 1970s.

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[160] Peter Evans, "The State as Problems and Solution: Predation, Embedded Autonomy, and Structural Change," in **The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State**, eds., Stephan Haggard and Robert R. Kaufman, Princeton: Princeton University Press, 1992, pp.139-181, p.141.

CHAPTER EIGHT
POLICY DEVELOPMENT AMIDST CONFLICTING OBJECTIVES

By the mid-1970s, American agriculture had changed into a complex system, which linked the incomes of American farmers, the budgets of American consumers, subsidies for U.S. maritime industry and government expenditures on farm programs to poverty in Northeast Brazil, drought in the African Sahara, decisions made in the Kremlin and empty food bowls in parts of Asia. The domestic and world economic systems became so interdependent that agriculture could only be viewed as an integral part of national and international economic, social and political systems. This changed policy environment created new and complex public policy issues which attracted public attention and new actors demanding participation in agricultural policy making.

This chapter, as did previous chapters, emphasizes the interplay between economic forces and government policies and the relationship between the agricultural policy community and its policy agenda. Examining the manifestly divergent statements and practices of government agricultural policies under the Carter and the first Reagan administration, it shows the changes taking place in the policy making process in which new participants placed hurdles before the agricultural policy community. It also shows the persistence of farm support programs in a very changed and changing political and economic environment. It is argued that the failure to have fundamental readjustments of agricultural policy was primarily the result of the entrenched interests and sustained institutional structure blended with the prevailing agrarian belief. The institutional forces, such as the organizational arrangements which are in favour of the initial objectives, significant transaction costs to pursue any substantial changes and self-reinforcing mechanisms of the institution all impeded comprehensive policy reform.

The chapter is divided into four sections. Legislation development is briefly discussed in the first section to show the persistence and expansion of the farm support programs and to provide a background for the later discussion. The second section examines the changing power relationships among members of the agricultural policy community and between them and those who were challenging their favourable position in government policies. The following two sections study the institutionalized resistance for change which was far stronger than the cry for change. In these two sections, the issue of the transaction costs, especially the "principal problems" which make transaction costs high, are examined in the study of the policy-making process. The last section also shows that as agriculture became more internationalized and farmers more sensitive to the fluctuation of the domestic and international macro-economic situation, the government became more involved in this economic sector.

1. Legislative Development

By the 1970s, many analysts realized that farm programs with high levels of government support were incompatible with an increasingly competitive world market and the budget constraints. Yet, no fundamental changes were proposed. The essence of the traditional commodity programs which had been designed with the emphasis on price supports, production controls and deficiency payments continued through the enactment of the Food and Agriculture Act of 1977 and 1981, and was reconfirmed by the Emergency Assistance Act of 1978 and the Payment-in-Kind program of 1983. The export capability of American farmers was invigorated by various export promotion programs. This legislative development shows that despite the fact that American agriculture had increasingly nested itself within a complex configuration of an interdependent and multidimensional national and international economy, the problems created by this complexity only confirmed the role of government in intervening and protecting this economic sector and further justified the continuation and expansion of the farm support programs.

1.1 The Food and Agriculture Act of 1977

The Food and Agriculture Act of 1977 featured no major changes in the traditional farm programs. It was an extension of a succession of agricultural bills passed since the Agricultural Adjustment Act of 1938 but it did consolidate the policy reforms in the market-oriented programs established in the 1973 act. The objective of the 1977 farm act was to protect farm producers from some of the vagaries of the marketplace, while assuring adequate supplies of food and fibre at home and for customers abroad.

Specifically, the 1977 act continued price support and loan rate programs for most grains, and for cotton and peanuts at higher levels.[1] Under the act, supply control provision might be

[1] The most difficult part in the formulation and enactment of the bill was setting the levels of target prices and loan rates high enough to protect farmers without impeding the export and meanwhile acceptable to both the administration and congressional agriculture committees.

The levels of supports decided in the 1977 final act were:

For 1977-crop wheat, minimum loan levels would stay the same as previously announced -- $2.25

implemented to discourage overproduction if the Secretary so chose. This act also included provisions for the extension of Food Stamp programs and Food for Peace programs. A major innovation in the 1977 act was the provision for food and feed grain reserves, which encouraged farmers to hold wheat and feed grains by providing them with direct payments for storage and by allowing producers to capture the profits should prices rise substantially. But farmers would not be encouraged to sell the grain held as part of the reserve, unless prices rose by a minimum amount above the loan level. Reserves held by farmers and others would work to assure adequate supplies when the U.S. crop was poor, or when export demand was heavy. The reserve system was set up to minimize the swings in prices.[2]

While Congress was working on the 1977 farm act, the USDA under its delegated authority 1. implemented a 20-percent set-aside on 1978-crop wheat and 10-percent feed grain set-aside; 2. placed 30-35 million tons of food and feed grains in reserve prior to the beginning of the 1978/79 marketing years and create a special International Food Reserve of up to 6 million tons; and 3. increased the loan rates for 1977-crop feed grains. The decision to reduce wheat acreage by 20 percent was made to shore up falling wheat prices caused by large crop surpluses and it was the first acreage reduction program since 1973. The new international emergency reserve program was designed to "serve as a hedge against the inflationary effects of a poor crop

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a bushel. Target prices were raised to $2.90 in 1977 and $3.00 or $3.05 in 1978, depending on whether production was above 1.8 billion bushels. The higher target price, $3.05, would take effect if the 1.8 billion was not reached; the lower level, $3.00, would apply if it was reached or surpassed. The minimum loan rate in the law for 1977-1981 was $2.35 a bushel. This was the product of a great compromise between President Carter, Secretary Bergland and House Agriculture Committee chairman Thomas Foley.

Material for this section is drawn from Congressional Quarterly Almanac, 1977; USDA, **Farm Index: Special Issue: The New Farm Law**, v.16, no.11, November, 1977; Kenneth R. Farrell, "Some Implications of the Food and Agricultural Act of 1977," Crop Production Conference Report: 1977, by Crop Quality Council, pp.40-48; J.B. Penn, "The Federal Policy Process in Developing the Food and Agricultural Act of 1977," James Johnson, "Alternatives and Congressional Action in Developing the Food and Agricultural Act of 1977," and Ronald L. Meekhof and Thomas A. Miller, "Food and Agricultural Policy: The Legacy of the Past and the Needs of the Future," all in **Agricultural-Food Policy Review**, USDA, Economics, Statistics, and Cooperative Service, February, 1980, pp.9-45, pp.47-72, pp.73-85; Laurellen Porter, "Congress and Agricultural Policy, 1977," and John G. Peters, "The 1977 Farm Bill Coalition in Congress," in **The New Politics of Food**, eds. by Don F. Hagwiger and William P. Browne, Massachusetts: Lexington Books, D.C. Heath and Company, 1978, pp.15-35.

[2] As before, the farmers' reserve program was established with the understanding that the reserves would not be dumped onto the market until the prices reached 150 percent of the loan rates. (Daniel Balz, "Bergland Says the Farmer And the Consumer Should Be Friends," National Journal, March 12, 1977, pp.385-388).

in the future [and] to underscore the President's commitment to the fight against world hunger."[3] It appeared that the administration was willing to achieve two objectives at the same time -- to protect farmers against lost income from low farm prices and to reassure consumers at home and abroad of relatively stable food supplies and food prices.[4]

1.2 The Emergency Assistance Act of 1978

When the 1977 act was still being formulated, farm prices began falling. Farmers found again they had more crops on hand than they could sell profitably on the market. In December 1977, farmers in Colorado organized the militant American Agriculture Movement (AAM), which soon spread to other states where wheat and grain growers were suffering most from record production and depressed prices.[5] They called for a general farm strike to "stop producing, stop marketing and stop buying farm equipment and supplies beginning on December 14," and demanded 100-percent of parity support, strict import controls and producer control in farm policy.[6]

The Emergency Assistance Act and Emergency Farm Credit Act of 1978 were the federal government's pay-off to the demonstrating farmers organized by the AAM. In addition to allowing higher support prices, programs of paid acreage diversion were placed back in the book and a program of $6 billion in economic emergency loans at subsidized rates was created.[7] These

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[3] Congressional Quarterly Weekly Report, 1977, p.1864.

[4] "20 Percent Cut in Wheat Planting Ordered," Congressional Quarterly Weekly Report, September 3, 1977, p.1864; James D. Johnson and J.B. Penn, "The Food and Agriculture Policy Decision Process: A Case Study of the Set-Aside Decision for the 1978 Wheat Crop," USDA, Staff Report No. AGES811023.

[5] Most of them were farmers who had recently borrowed heavily to expand their farming operation and got into deep debt because of increased production costs and rising land value. The debt-laden farmers had hoped that the 1977 farm act would have increased support levels high enough to cover their production costs plus some profits, but they were disappointed. The support levels were not enough even to cover the increasing production costs as farm prices were falling in 1977 and 1978.

[6] "Farm Strike: Little Hope for More U.S. Aid," Congressional Quarterly Weekly Report, December 17, 1977, p.2617; Browne, **Private Interests, Public Policy and American Agriculture.**

[7] The Emergency Assistance Act gave the Secretary discretionary authority to increase the target prices for wheat, feed grains, and upland cotton for the 1978 through 1981 crops whenever set-aside was in effective for one or more of these crops and raised the limits on the CCC's borrowing authority to $25 billion, from $14.5 billion, on October 1, 1978. To deal with the problem of farmers being squeezed by increasing costs and declining income, the Emergency Farm Credit Act authorized Farmers Home Administration (FmHA) to make or guarantee loans up to $400,000 to agricultural producers to provide temporary credit assistance to those who otherwise would not be able to maintain a viable agricultural

policies enabled farmers by and large to ignore the market signals which should have caused a reversal of the output expansion of the mid-1970s. The need for such adjustment was also temporarily obscured by the renewed large-scale entry of the Soviet Union into the grain markets and the substantial price increases that resulted for the crops of 1979 and 1980.[8]

1.3 The Agriculture and Food Act of 1981

In 1981 while farmers continued struggling with the production-cost squeeze, export demand remained strong and farm prices high. The main concern in the 1981 farm bill formulation, thus, was how to provide farmers with enough protection to gear up their full production to satisfy the world demand in a way consistent with Reagan's economic objectives of a balanced budget through a reduction in federal spending on domestic programs and with no additional taxes.

The Agriculture and Food Act of 1981 continued the basic structure of the commodity programs for another four years with gradually increasing target price levels for the major commodities.[9] It continued the grain reserve program with little change. While the 1981 farm act did not represent a major departure from the 1977 bill in terms of program content, the

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enterprise. The next day after the President signed the bill, Secretary Bergland announced an increase in the target price for wheat from $3 to $3.40 per bushel with no qualification with respect to the size of the crop. The target price for corn remained the same as before and the minimum loan rate for cotton was raised from 44 cents to 48 cents a pound. (Congressional Quarterly Weekly Report, 1978, pp.186-88, 361-65, 695-97, 739-42, 815-16, 823-26, 1069-70, 1115-17, 1153).

[8] One of the ironies of the agricultural pricing situation was that farmers finally found themselves in the midst of good -- or at least hopeful -- times when Congress passed the emergency bills. Since the end of 1977, exports had been steadily increasing and so had commodity prices. Exports of total grain increased from 78.9 million metric ton (mmt) in 1976 to 89.5 mmt in 1977, 95.4 mmt in 1978, 112.2 mmt in 1979, and 116.0 mmt in 1980. In value, agricultural exports increased from $24.0 billion in FY 1977, to $27.3 billion in FY 1978, to $32.0 billion in FY 1979, to $40.5 billion in FY 1980, and to $43.8 billion in FY 1981. (Emiko Miyasaka and David Pendlum, **Desk Reference Guide to U.S. Agricultural Trade**, USDA, FAS, March 1990, p.26) Wheat prices, for example, rose from $2.30 a bushel in 1977/78, to $2.91 in 1978/79, to $3.71 in 1979/80, and to $3.88 in 1980/81. (USDA, Economic Research Service, **Wheat Situation and Outlook Yearbook**, ws-288, February 1990, p.43) The rapid turnover without any doubt indicates the volatility of U.S. agriculture after it had opened up to the world market.

[9] For example, the target price for wheat was set at $4.05 per bushel for the 1982 crop and $4.30, $4.45 and $.65 respectively for the following crop years. (The 1981 rate was $3.81.) Loan rate for wheat was at no less than $3.55 a bushel. (The 1981 rate was $3.20). Loan rate for corn was no less than $2.55 a bushel. (The 1981 rate was $2.40.) Target price for corn was set at no less than $2.70 per bushel for the 1982 crop and $2.86, $3.03 and $3.18 respectively for the following three crop years. (Congressional Quarterly Almanac, 1981, p.536).

political process that produced it was so different that it has remained a topic of interest to scholars for understanding the integration of agriculture in the national economy.

1.4 The Payment-in-Kind Program

The target prices and loan rates in 1981 were set under the assumption that inflation would remain high, world demand for agricultural products would continue growing and, thus, market prices would be higher than the target prices and loan rates. However, when export demand declined and surpluses were piling up, farm prices dropped. When market prices dropped below the target prices set, government had to pay the difference between the target prices and market prices as well to pay for storing the surpluses.[10] As a consequence, the federal spending on farm programs (CCC and price support outlays) tripled in one year, from $4 billion in FY 1981 to $11.7 billion in FY 1982. Farm income, on the contrary, dropped drastically, from $28.6 billion in 1981 to $23.5 billion in 1982 and to $12.2 billion in 1983 (in 1982 dollars).[11]

To deal with the problem in a dramatically changed political and economic environment, the Reagan administration went back to the traditional measure -- that is, to restrict supply. For a year after the 1981 act was enacted, the USDA several times announced the set-aside and voluntary paid acreage-reduction programs. By the fall of 1982, it was obvious that voluntary acreage diversion with moderate incentives was not sufficient in reducing supplies. The USDA formulated a production control program of a magnitude beyond that considered by previous administrations.

It was called **payment-in-kind**. The payment-in-kind (PIK) program was "a means for working off stocks while also reducing production and building a base for a future economic recovery in agriculture."[12] Under the PIK program, "wheat, corn, grain sorghum, cotton and

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[10] For example, the target price and loan rate for wheat were set in the 1981 farm act as the following:

	1981	1982	1983
Average Price	$3.69	$3.45	$3.51
Loan Rate	$3.20	$3.50	$3.55
Target Price	$3.81	$4.05	$4.30

(USDA, **Agricultural Statistics, 1987**, p.1).

This meant that in 1982, the government was supposed to pay farmers 55 cents for a bushel of wheat. At the same time, because loan rate was also higher than the market price, farmers turned their products as collateral to the CCC. Government holding of surpluses bulged.

[11] CEA, **Economic Report of the President**, 1988, p.358; also see Table 4 in Appendices.

[12] John Block, statement in **Payment-In-Kind Program**, hearings before House Agriculture Committee, 97th Cong., 2nd Sess., December 16, 1982, p.11.

rice farmers who joined previously announced acreage reduction programs could also receive PIK payments for retiring additional 10 to 30 percent of their land ... Payment rates were 95 percent of yield per acre in wheat and 80 percent of yield per acre for other crops."[13]

Despite his ideological position, President Reagan praised this production control program as "a good, imaginative program" and "a highly innovative approach that will enhance long-term prospects for a recovery in the farm community."[14] The administration's willingness to resurrect the program made Reaganite free-market ideological ranting so much rubbish, but it was justified as an effort to provide generous incentives to farmers to take more crop land out of production without spending current dollars of the federal government and saving future dollars for handling and storing surpluses.

1.5 Export Promotion Programs

The competition from major world exporters and high government expenditure on farm support programs became the major reason for the USDA to adopt a series of aggressive export promotion programs. In 1982, the USDA initiated the blended credit programs with the consent of the President and support from Congress. The program included: direct credit (GSM-5) and commercial credit guarantees (GSM-102). Direct credit was a loan offered interest-free. This was to be blended with the guaranteed credit in a single package to produce an interest rate which was competitive with those offered by other exporters. In less than two months, $500 million was spent on the program and on January 11, 1983, despite the opposition from the OMB, President Reagan announced an additional $250 million interest-free direct credit to be blended with $1 billion in credit guarantees to finance at least $1.25 billion in agricultural sales, "to help counter the massive European subsidies and eventually bring an end to such practices," he said. "Our

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[13] Congressional Quarterly Almanac, 1983, p.381.

The PIK program utilized existing government holding to compensate farmers for idling their cropland. It would involve two steps: first, farmers would receive, in payment for not producing certain crops, a percentage of what they would have produced. If a farmer, for example, chose to reduce his historical corn planting by 100 acres, he would be given 80 percent of what he would have harvested from the land. Percentage of compensation varied for each crop, corn, wheat, sorghum, cotton and rice. The USDA would decide the standard unit of harvest for compensation. The second step was the acquisition of sufficient stocks to make necessary payment in kind. Commodities used by government for the in-kind compensation would basically come from loan forfeitures of government-owned stocks. The second source of payment in kind was from the farmer-reserve. Arrangement would be made to transfer ownership of the stock through the PIK program.

[14] Public Papers of the Presidents of the United States: Ronald Reagan, 1982, p.1581.

competitors should know that we're pursuing all avenues for redressing unfair trade practices ... America only seeks fair and open trade. But we've declared we will be competitive, and we will be."[15]

In the early 1980s, the USDA initiated another protectionist agricultural export subsidy program, the Export Enhancement Program (EEP), using broad authority under the CCC Charter Act of 1948, to offer surplus commodities as "in-kind" bonuses to exporters who made sales of certain agricultural commodities in targeted countries. The EEP enabled the exporters to offer the commodities at lower and presumably more competitive prices to overseas buyers. Congress mandated continued use of this program in December 1985 when it passed the Food Security Act of 1985.[16]

The EEP and other federal export promotion programs, such as credit, loan guarantees and insurance, government-acquired commodities, subsidies and grants, were designed to accomplish a number of overlapping domestic, humanitarian, trade and foreign policy objectives. They included: to expand U.S. agricultural sales in overseas markets, enhance farm income and agribusiness sales, reduce burdensome surpluses, offset large trade deficits and also to "bargain for a reduction of other nations' trade barriers in the current multilateral trade negotiations."[17]

This examination of the legislative development in the Carter and Reagan administrations shows the persistence of agricultural programs. Fifty years after the first Agricultural Adjustment Act of 1933 was implemented, despite changes in domestic and international economic

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[15] Ronald Reagan, "Remarks at the Annual Meeting of the American Farm Bureau Federation in Dallas, Texas, January 11, 1983," in **Public Papers of the Presidents of the United States: Ronald Reagan**, 1983, Part I, p.31.

[16] The EEP has four stated objectives:
* Additionality -- to increase sales of U.S. agricultural exports above what would have occurred in the absence of this program.
* Targeted Sales -- to target specific markets where agricultural exporting countries, specifically the EC, subsidize their exports.
* Cost Effectiveness -- to maintain the cost effectiveness of the program. (That is, EEP sales should result in the net plus to the overall economy.)
* Budget-Neutrality -- to not increase federal budget outlays beyond what would have occurred in the absence of the program.
(Congressional Research Service, **Will The Export Enhancement Program Survive?** March 1, 1989, p.7).

[17] Congressional Research Service, **Agricultural Exports: Federal Assistance and Promotion Programs**, June 6, 1989; **Will The Export Enhancement Program Survive?**

circumstances, farm programs remained and expanded under new justifications. Policy issues involved in agricultural policy making became more complicated -- macroeconomic, food, farm and trade policies all were intertwined --- and the power relationship in the policy making was also affected.

2. Changing Power Relationships

As agriculture became more integrated into the national and international economic systems and when it was increasingly linked to foreign food needs, the U.S. balance of payments, domestic inflation, monetary and tax policies, budgetary concerns, deregulation of other industries, environmental concerns, quality of life, energy prices, economic opportunities -- just to list a few -- the established rules governing policy making were under constant challenges. While the new interests demanded that their voices be heard in agricultural policy making, it was in the interest of the traditional participants to maintain the rules. A policy community exists because, as an institution, it provides a formally constituted structure in which dominant actors promote and maintain the rules and procedures that best suit their interests. It sets the general obligations and rights that provide different incentives and sanctions, guiding members' behaviour. It is, thus, more than a temporary arrangement that changes with every shift of power. In a continuing process of sifting possible alternative actions, the policy community tries to maximize its interests by keeping the policy process closed and policy agenda restricted.

The following section will examine how the agricultural policy community defended its established policy agenda in a changing environment. The changing market situation had its political and institutional repercussions. One direct impact of this change was in the power relationships in policy making. After the hectic years of the 1970s, some interest related to agriculture receded and others gained more public attention. Public focus on food policies, for example, became less central, while interests in environmental protection, especially soil erosion as a result of the expansion of production in the 1970s, grew widely. Trade issues drew even more attention among policy makers and the farm community. The condition was further complicated by the concern of balancing the government budget in the 1980s.

Examining the sustained pressures and especially the resistance to these pressures, this section will demonstrate the changed power relationships among members of the agriculture community and between them and those who challenged their privileged positions. It will also show the connection between structural power relationships and the consistency of the policy agenda. As long as there is the consistency of membership and the policy community controls specifying and enforcing rules that underlie the current power relationship and the public support remains strong, a closed policy agenda is feasible and likely, despite mounting pressures from consumers groups, environmentalists and national budget [illegible]

2.1 The USDA and Its Adjusted Strategy

A major change regarding agricultural policy making took place in the USDA and its relationship with other agencies in the executive. At the end of the Nixon administration, a National Security Council staff member made a comment: "The irony is that it took so long to get agricultural policy out of the Agriculture Department."[18] When agricultural policy mainly affected farmers, the agricultural policy community had almost a monopoly in its policy making. The changed market situation had a direct impact on agricultural policy making: food cost inflation created a vocal and powerful constituency of consumers; foreign agricultural trade demanded involvement of people from the State Department, CIA and NSC; the great expansion of agricultural production in the 1970s to meet the demand at home and abroad brought about increasing concern from people who focused their attention on the use and exploitation of natural resources, food quality and safety, the rights of farm labour, and the food needs of the poor. Facing challenges from these new issues and actors, the USDA adopted various strategies to maintain its predominant position in agricultural policy making.

Policy communities are where issues are processed: policy options are proposed and discussed, the policy agenda is set and decisions are made. There is a reciprocal and reinforcing relationship between a policy community and its policy agenda. While consensus on the policy agenda among the community members protects the policy community and excludes groups which try to open up the policy agenda, the relatively settled membership of the community guarantees the safe place of the desired policy objectives on the policy agenda.[19] As a consequence, broader consideration of new issues usually threatens to undermine the entrenched organizational structure of the policy community. Furthermore, the way new issues get on agendas affects the policy community. If policy makers in a policy community initiate new issues on their policy agenda, they usually can keep control over their discussion and processing. However, if issues are

[18] Quoted from **Who's Making Foreign Agricultural Policy?** p.113.

[19] Smith, **The Politics of Agricultural Support in Britain**, chapter 7.

imposed on the policy agenda by a higher authority, for example, the Executive office or even the President, a greater degree of integration is needed to counterbalance the segmented policy process.

2.1 (a) The Butz Era

Under Secretary Butz, despite the title of the 1973 farm legislation (the Agriculture and Consumer Protection Act), the USDA represented farmers only and Secretary Butz led a direct confrontation with the newly emerged interests in agricultural policy making. While exercising strong leadership in the USDA, Butz was hostile to anyone who attempted to get involved in agricultural policy making. He criticized those who demanded more regulation of the use of chemicals, pesticides and other materials harmful to environment, comparing these materials to the drugs prescribed by doctors to their patients. He ridiculed consumer activists as mass mobs who did not know anything other than making trouble. He strongly opposed the "cheap food policy" advocated by consumer groups, saying: "We get this rising tide of pressure right now on the environmental and consumer front to increase and strengthen the federal regulatory agencies." "The ironic thing is that the food faddists and extremists," said Butz, "are fretting and stewing about the safest and most nutritious food supply the world has ever known."[20] He also accused State department officials for getting "their bloody hands on food policy."[21]

Other USDA officials also showed their hostility to consumer movements and efforts by other societal groups to get involved in agricultural policy making, criticizing, for example, the consumer movement was "based on wrong information, follow poor leadership, and advocate wrong causes."[22] They warned the farm community that since the consumer movement had "little sympathy" for commodity programs, farmers and their representatives had to reckon with this growing political force.

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[20] Earl L. Butz, "America -- The Great Food Machine," Food Technology, v.30, no.8, August 1976, p.46.

[21] Earl L. Butz, "Food -- The Language of peace," Proceedings of the Nut Growers Society of Oregon, Washington and British Columbia, 1980, pp.31-47, p.36.

Secretary Butz was portrayed as a man who "liked confrontation, and used it to disarm his critics." He antagonized and alienated food shoppers, environmentalists, labour leaders, social reformers and religious and ethnic groups, but he was loved by farmers, especially grain producers whose faith of their productive potential was restored by Butz's active promotion of exports. ("Why They Love Earl Butz," New York Times Magazine, June 13, 1976, pp.10ff).

[22] Paarlberg, "Agricultural Programs in the Seventies," p 18.

Comparing with the well-established agricultural policy community, when they first became aware of their interests in agricultural policy making, neither consumer activists nor environmentalists had adequate knowledge of intricate agricultural policies. So Secretary Butz and the USDA were able to block them out by using their unparalleled expertise in the area. There were few people outside the community with sufficient knowledge of agricultural issues to deal with the USDA; not even those from the executive office could challenge it. "People would try to take him out at Cabinet meetings, but he had more expertise by twice," a member of the Nixon administration admitted. "He [Butz] had people at a great disadvantage and could always wiggle out."[23]

Things became even easier for the USDA when the new interest groups were pursuing contradictory policy objectives. For example, consumer groups came to be interested in agricultural policy because of drastic increases in food costs. They demanded relaxation of production control, setting price ceilings for food stuffs and controls on exports.[24] Environmentalists, however, were worried that expansion of farming resulted in bigger farms, more machinery, more chemicals and pesticides which would have destructive impacts on the environment. Thus, they wanted more regulation on using chemicals in farming. Foreign aid activists and foreign policy experts demanded more food exports to developing countries for humanitarian, political and strategic purposes. During a time of global food shortage in the 1970s, the USDA easily placed the interests against each other, arguing that the number one task for farmers was to provide sufficient food for domestic consumers and to feed a hungry world as well. Food additives and chemicals, food fortification and farm chemicals and pesticides were "valuable production tools which [were] tremendous boons in the production of food stuffs and [were] tremendous agents in getting the cost of food down to where we feed ourselves in this country with less of our take-home pay than any other nation in the world."[25]

Convinced by the USDA's studies that high food costs were more a result of tight supplies and unfairly high charges by retailers, transporters, food processors and other

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[23] Quoted from "Butz: Out to Harvest the Farm Belt Vote for Ford," National Journal, January 17, 1976, p.80.

[24] Questions of food quality and better diet did not became an issue until the middle of the 1980s.

[25] Butz, "America -- The Great Food Machine," p.46; Butz, "Food -- The Language of Peace,"; Christopher S. Bond, "Government Regulation of Agriculture," Vital Speeches of the Day, v.44, no.13, April 15, 1978, pp.404-407.

"middlemen" rather than high farm prices and price supports, national consumer groups in 1975 came to support farmers' demands for an increase in target prices and loan rates to encourage full production. Data analysis and interpretation, in this case, were used for protecting the established policy agenda and policy community. The experience of the 1970s shows that "some 'problems' fail to reach the policy agenda, fail to be 'defined' as problems, because of the way in which data on that policy area are collected, analyzed and presented (or not presented, as the case may be)."[26]

Public awareness of broader issues and the emergence of new interest groups have a direct impact on the policy process because they are "helping in the process of problem *identification*."[27] For a newly emerged contending interest to get access to a policy agenda, however, it requires other factors, such as government agencies and politicians, which can dramatize and politicize the subject and organizational structures to recognize and officially legitimize the issue. As a consequence, there was an upward shift in agricultural policy decision making to the executive, but the established institutional structure operated in favour of the traditional participants. The USDA, using its expertise and leadership, deliberately excluded other interests from agricultural policy formation in the name of pursuing economic efficiency and the welfare of the nation. In the following years, a different fate awaited consumer activists, environmentalists and foreign policy experts in agricultural policy making.

2.1 (b) The Bergland Era

President Carter, a farmer, nominated another farmer, Bob Bergland, to be the new Secretary of Agriculture, as recommended by the chairmen of both agriculture committees, Senator Herman Talmadge and Representative Thomas Foley as well as vice-president-elect, Walter Mondale. As a three-term Representative (D-MN) in Congress, Bergland was known as the "ambassador from the farms." "He has the unique ability of not only winning the confidence of those ... from the farm States, the producer States; but he has also won the respect of his

[26] Quoted from Hogwood, **From Crisis to Complacency?** p.45.

[27] J.J. Richardson and A.G. Jordan, **Governing Under Pressure: The Policy Process in a Post-Parliamentary Democracy**, Oxford: Martin Robertson, 1979, p.85.

colleagues from the big cities."[28]

Before taking office, Bergland's predecessor, Earl Butz, warned him that some of his toughest battles would be inside the administration rather than with outside critics. "Power struggles inside the executive branch go on regardless of which party is in control," Butz said. "The secretary of agriculture's big job [in] the last three or four years, and [in] the next three or four years, is with other members of the administration -- the State Department, the Treasury, and the Office of Management and Budget."[29] Politicians were also aware of the change.[30] By the end of the 1970s consumer groups and environmentalists had grown in strength and were better organized and more knowledgeable about agricultural issues. Leaving them outside the agricultural policy-making circle might make it increasingly difficult for the USDA to obtain support from other government agencies. Thus, the new Secretary concluded that it would do more harm to farmers to exclude than to include these interests inside the circle.

But while the consumer and environmental movements were gaining power in general, their interest in agricultural policies was receding. The public grew weary of an issue that had been on the agenda for so long. The spotlight shifted away from high food costs to issues which became more politically potent, such as the desire to balance the budget. Thereafter, the new and more direct threat to agricultural policy making came from the budget people in both the executive and legislative branch. To maintain its predominant position in agricultural policy making required that the USDA gain as much support as possible by forming a broad coalition with other interests in society. This was another reason offered by Secretary Bergland to include

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[28] Statement of Senator Wendell R. Anderson, **Nomination of Hon. Bob Bergland to be Secretary of Agriculture**, hearing before the Senate Committee on Agriculture, Nutrition and Forestry, 97th Cong., 1st Sess., January 11, 1977, p.2.

Bergland had long been an advocate of farm interests. In 1975, he and Foley were in the same coalition, fighting for an emergency farm bill to raise the target prices and loan rates. Even though their efforts were set back by the presidential veto, his idea on farm support did not change.

[29] "New USDA Chief Faces Battles Within: Betz," Journal of Commerce (U.S.), December 9, 1976, pp.1ff.

[30] Senator Humphrey explained, "This whole business [agriculture] gets so complicated and so controversial. You have farmers who are furious with Secretary Kissinger and with George Meany [chairman of the AFL-CIO] ... and members of Congress reflect that. And yet, it is surely a fact that you can no longer look upon food policy as simply a domestic concern. It has something to more do with than just the production of food. It has something to do with its distribution, the economic aspects of food sales as it relates to our balance of payments, as it relates to our trade policy, and as it relates to our overall national security. It is inevitable that the Secretary of State will be involved and it is also inevitable that the President has to be involved." (**Who's Making Foreign Agricultural Policy?**, p.35).

the new interests.

Moreover, while, he was deeply convinced that the USDA "must speak for farmers -- work for farmers -- and ... the problems and welfare of farmers are its first concern," Secretary Bergland believed that consumers and other interests, once included, could become political allies because after all farmers produced for consumers to consume. As society became urbanized, the USDA had to learn to make political allies with consumers and other sectors.[31] That was the best way to fend off other agencies that would like to take over the department's nutritional and environmental responsibilities, which could be used as political leverage in the bargaining process.

Finally, "control involves legitimizing and institutionalizing [the] power structure."[32] "Bringing the voice of the consumer into this department, instead of having it set up on the outside shouting," the USDA would be able to reduce the tension and hostility and help farmers gain support in Congress and the executive when farm bills were formulated.[33] If the USDA resisted the change, it would be seen as irresponsible and there might be more radical demand for change. At a time when "USDA could never maintain cabinet rank if its only constituency is about 1 million commercial farming enterprises,"[34] bringing in the opposition would only mean a broader range of support. To broaden the base, take cognizance of the interests of consumers, rural poor, and environmentalists, and "solicit" their support without being dominated by them became the rationale for Secretary Bergland's reorganization of the USDA when he took office.

"Organization is one way of expressing national commitment, influencing program direction, and ordering priorities."[35] Reorganization can be taken to capture and contain the opposition, to quiet public and congressional agitation about such matters as high food prices, misuse of pesticides and other chemicals and other public scandals. It can also be exercised to

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[31] Bob Bergland, remarks prepared for delivery before the American Farm Bureau Federation, Houston, Texas, January 9, 1978, USDA 66-78, p.10; "Washington Report: Interview with Secretary Bergland," Successful Farming, v.75, February, 1977, p.6.

[32] Don Paarlberg, "A New Agenda for Agriculture," Policy Studies Journal, v.6, no.4, summer, 1978, p.504.

[33] Balz, "Bergland Says the Farmer and the Consumer Should be Friends," p.385.

[34] "USDA: Cause of Farmers' Woes -- or Scapegoat?" U.S. News & World Report, June 2, 1980, p.39.

[35] Seidman, **Politics, Position & Power**, p.15.

strengthen the political power of the initiating agency by preventing its jurisdiction from being taken away through another broader reorganization.[36] To achieve such objectives, Secretary Bergland recruited into the USDA a diverse group of top advisers, which included Carol Tucker Foreman, M. Rupert Cutler and Alex Mercure. Ms Foreman, former executive director of the Consumer Federation, became Assistant Secretary for Food and Consumer Service. Cutler, a Washington environmentalist who was a critic of the USDA's environmental policies under Butz, became Assistant Secretary for Conservation, Research and Education, and Mercure took over the position as Assistant Secretary for Rural Development.[37]

Bergland's intention to protect farmers as his primary constituents was never doubted by USDA officials and farm groups. Instead his action was supported by them.[38] They agreed with the Secretary that to "bring the traditional clients a better understanding of the legitimate interests of our broader constituency, and, at the same time, make it clear to our new clients that we can be of service to them" was an effective way to face the challenge in dealing with complex agricultural and food policy issues.[39] Three main reasons can explain the wide support. One was that being included in the USDA, officials, representing interests other than those of farmers, became team players. They had to speak the same language other USDA officials spoke. Second, the fact that they were the knowledgeable spokesmen of other interests helped the USDA win the support of the public as well as other government agencies, such as the OMB and CEA. Finally, to include other issues into the existing policy agenda meant an institutionalization of these issues

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[36] At the time there was a talk of establishing the Department of Natural Resources and reallocating the jurisdiction of food stamp program to the Health, Education, and Welfare Department (HEW).

[37] Daniel J. Balz, "Agriculture under Bergland -- Many Views, Many Directions," National Journal, December 10, 1977, pp.1918-1921.

[38] Many people in the farm community might be nervous about the change in the USDA but they did not doubt Bergland's sincerity to protect the interests of farmers. This was even recognized by the Farm Bureau officials, who usually allied themselves with the Republican party. "It's not fair to say Bergland is downgrading agriculture," argued Donald Donnelly, associate director of the Farm Bureau's Washington office. (Daniel Balz, "Agriculture under Bergland," National Journal, 1977, p.1919) To reduce the nervousness of the farm community, Bergland went to the public, promising farmers that he would and did remain the boss of the USDA. (Successful Farming, v.75, No.5, March, 1977, p.4) Other USDA officials also confirmed the view, saying that "He [Bergland] is the boss and we all know it." Even Foreman admitted that "he [Bergland] decided policy." (Balz, "Agriculture under Bergland," p.1919).

[39] Howard W. Hjort, "Food Policy Analysis in the U.S. Department of Agriculture," in **Agricultural-Food Policy Review**, September, 1978, p.6.

without changing the policy agenda in any fundamental way.[40]

As political appointees and outsiders, these newly recruited spokesmen of other interests were involved in some divided loyalties and needed to move back and forth across the lines of confidence among the department, White House, Congress and different interest groups. At the same time, the fact that they were selected as high political officials created the initial network of debts and credits new appointees brought with them. They knew their political patrons from the beginning and had, at least at the beginning stage, to support the positions of those who chose them.[41] Moreover, as team players of the bureaucracy, the new-comers had to toe the department line.

After taking office, for instance, Foreman worked out a food policy which incorporated interests of farmers and consumers -- a policy which was even praised by former Secretary Butz. "It was one based on plenty."[42] It recognized, on the one hand, the necessity that farmers should be protected through price supports, loans, quotas or whatever it might be. On the other hand, it called for an adequate supply of food for consumers at fair prices. Later Foreman many times came out to defend price support increases.[43] Pursuing environmental protection, Assistant Secretary Cutler confirmed the role of the USDA and its agencies, such as the Soil Conservation Service and Cooperative Extension.[44] As a consequence, USDA's political power was strengthened with a broader recognition and acceptance of its role as a chief spokesman for farmers.

Furthermore, recruiting professional advisers is one way to strengthen the policy-making capability of modern bureaucracies. As agricultural policy became more and more technically complicated and covered more aspects than before, expert knowledge was needed to uphold the dominant position of the USDA vis-a-vis other government agencies which were also interested in getting involved. By bringing in publicly recognized expertise, "the diversity of expertise and

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[40] Bergland explained this point, saying, "We're going to change our policy on nutrition. There's a lot of garbage peddled in this country under the name of nutrition. It's called a food. We're going to brand some of this garbage." (Balz, "Bergland Says the Farmer and Consumer Should Be Friends," p.386).

[41] Heclo, **A Government of Strangers.**

[42] Butz, "Food -- The Language of Peace," p.38.

[43] James L. Guth, "Consumer Organizations and Federal Dairy Policy," Policy Studies Journal, v.6, no.4, Summer 1978, pp.499-503.

[44] Remarks by Dr. Rupert Cutlet, Assistant Secretary of Agriculture for Conservation, Research and Education, before Aquaculture/Atlanta, 1978, Atlanta, Georgia, January 5, 1978.

experience is giving the department a leg up on other agencies around town," said an administration official. "It strengthens [the USDA] in making its case in interagency settings."[45]

Finally, by including spokesmen of other interests, USDA officials were able to transform the demands from other societal groups into a more acceptable form. In other words, it allowed USDA officials to tell both the executive and Congress that it had responded to outside demands and there would be no need to involve others in agricultural policy making. It is important to note that in this process, the orientation of other interests would be adapted to agricultural policy making not the other way round. Bergland explained this point clearly:

> We're going to change our policy on nutrition. There's a lot of garbage peddled in this country under the name of nutrition. It's called a food. We're going to brand some of this garbage ... we're going to get control of the place -- not for the purpose of purging, but for the purpose of giving it direction.[46]

The existing institutional arrangements could be reorganized to obtain some immediate tactical advantage and contain opposition. Conscious efforts to include outside interests allowed USDA officials to modify them in serving the interests of the department as well as to face the inquiry from other public officials. Thus, internal integration of new issues and actors is often used by decision makers in a policy community to resist radical changes and defend the existing policy agendas.

2.1 (c) The Block Era

Changes which took place under Secretary Bergland were irreversible as the USDA's "multiple of objectives and many purposes" were widely accepted.[47] Consumer interest and environmental consideration became routinized and institutionalized in agricultural policy making. Several USDA agencies, such as the Agricultural Research Service (ARS) and the Economic Research Service (ERS), had taken over the tasks of studying the impacts of pesticide and chemical uses, food safety inspections, other environmental protection measures, economic impacts of farm programs on food prices, consumer budget and national budget and some many other issues. These activities became part of the USDA's routine performance and the interests

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[45] Balz, "Agriculture under Bergland," p.1920.

[46] Balz, "Bergland Says the Farmer And the Consumer Should Be Friends," p.386.

[47] "An Interview with Richard E. Lyng," Choices, Premiere Issue, 1986, pp.22-26.

served were consistent with established institutional identities in the USDA.

John Block was chosen by the Reagan administration to be the new Secretary of Agriculture not only because of his "loyalty and ideology" but also because he was a successful hog farmer himself and director of agriculture in Illinois. The rest of the team had spent years in the capital already.[48] The chief economist for the USDA was upgraded to an assistant secretary level. William G. Lesher, a career teaching agricultural economist at Cornell University who had worked on agriculture in the Senate since 1977 became the first Assistant Secretary of Economics. A long-time associate of Reagan since his days as California governor, Richard E. Lyng, became the Deputy Secretary and headed the Reagan administration's transition team for the department.

In the 1980s, the most immediate threat to traditional agricultural policy arose from the increasing pressure of national budgetary control. It was the administration's budget people who challenged the position of the USDA and the agriculture committees in agricultural policy making. Before taking office, president-elect Ronald Reagan made it clear that he wanted to pursue economic deregulation, budgetary and tax reform. Worrying that the OMB might take over agricultural policy making, the Senate Agriculture Committee in the confirmation process wanted to make sure that Block would be their ally and be willing to stand up for farmers in the potential confrontation with other government agencies. Senator John Melcher (D-MT) warned Block, "I would hope that you are going to set agricultural policy, not the Council of Economic Advisors, not the Office of Management and Budget, and not the new State Department." Block's answer was that, "I think we all know how Government works in terms of our having a budget to live within, and its going to be an austere budget."[49] This set the tone for farm policy formulation in his term -- to be subject to the considerations of the national budget.

Moreover, "the 1980 presidential election," as shown in some studies, "was more a thunderous rejection of the 'weak' Carter administration and its perceived failing in both foreign

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[48] For example, Seeley G. Lodwick who became the Undersecretary for International Affairs and Commodity Programs was the secretary of the Commodity Credit Corporation and the associate administrator of the federal Agricultural Stabilization and Conservation Service (ASCS). C.W. McMillan who was appointed as the Assistant Secretary for Marketing and Transportation Services had directed Washington liaison for the National Cattlemen's Association since 1970. ("Agriculture Department: An Identity Crisis," National Journal, April 25, 1981, p.697).

[49] **Nomination of John R. Block To Be Secretary of Agriculture**, p.28.

and domestic policy than a mandate for Reagan's conservative program."[50] Determined to take hold of the administrative machinery of government to materialize his policy agendas, President Reagan thoroughly "politicized" the OMB, the cabinet, and the bureaucracy. To counter bureaucratic resistance and mobilize "responsive" bureaucratic competence, the standard for his cabinet members was to be exclusively that of "loyalty and ideology," even if expertise might be lacking.[51] To counterattack the centrifugal forces of bureaucracies and keep requests from cabinet members within the limits, the President gave unprecedented power to the OMB. "Budget Director David Stockman and his principal subordinates were everywhere: at high-level White House policy meetings, at lower level meetings with agency representatives, at congressional hearings, at press conferences."[52] For the first time in decades, the OMB director several times went to testify before agriculture committees when the major farm bill was being formulated. The OMB's venture on behalf of the President into the territory long regarded as the rightful domain of the established departments disturbed the normal power relationship among members of the agricultural community.

Facing the growing influence of the OMB, the USDA managed to preserve many of its cherished policies by adopting two strategies. One was to recruit into the high positions of the USDA those who had "close ties to production agriculture" and "who were closely related to farmers in their dealings."[53] The transition team made sure that the USDA's "primary interest with the producing side of agriculture" be satisfied. In doing so, the USDA was carrying out the tradition of maintaining the stability of the community. Secondly, it was reinforcing its relationships with its clients to counterbalance the challenge from the budget people. Both aspects were essential for the survival of the agricultural policy community. Meanwhile, the case suggests that the established organizational arrangements have the advantageous opportunity to reinvigorate the capacity of the organization to define the power relationship of the concerning actors and their legitimate interests. The other strategy was that USDA officials and other people in the farm community turned their attention to world competition to justify continuation of farm programs at home. By drawing public attention to the unfair trade practices of other countries, the USDA

[50] Moe, "The Politicized Presidency," p.259.

[51] Ibid.

[52] Ibid. p.261.

[53] "An Interview with Richard E. Lyng," p.26.

managed to win wider and stronger support for farmers and to continue and expand government interventionist policies at a time of tightening budget. In other words, as farmers became more vulnerable to international competition, the USDA "gained" another niche to promote domestic policy goals. In the end, the powerful OMB director, Stockman, had to admit, "I don't believe in this momentum theorem any more... I believe in institutional inertia."[54]

2.2 Fighting for the Shrinking Pie

It has been argued that since the late 1960s, general farm organizations -- the American Farm Bureau Federation, the Grange, the Farmers Union and the National Farmers Organization -- had become less effective because of the surge of commodity groups which were "taking over legislative functions once performed by the general organizations."[55] The latter had a greater unity of goals among their members and, thus, were often more powerful in pursuing their special interests. Meanwhile, in [illegible] legislation formulation they generally coordinated with the general farm organizations [illegible] "their roles as spokesmen for the whole of American agriculture" and tried t[illegible]ited front."[56] For example, when the 1977 farm bill was being formulated, farm orga[illegible]tions, both general and commodity, formed the National Farm Coalition to pursue a well-coordinated demand on price support levels. Its emphasis was "the need for agriculture to 'hang together'" and to seek "equity" among various commodity programs.[57] Wide discrepancies between demands gave way to a compromised agreement. As long as there was a sufficient budgetary allocation to be contested and divided among the commodity programs, the commodity groups were not problematic. The struggle over "who gets what" was alleviated because they were competing for an expanding pie, as in the case of the 1950s and 1960s -- even in 1977. "It used to be that everybody could get their piece of the pie,

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[54] William Greider, "The Education of David Stockman," The Atlantic Monthly, December 1981, p.51.

[55] USDA, Foreign Agricultural Service, **Agricultural Trade and the Proposed Round of Multilateral Negotiations**, report prepared at the request of Peter Flanigan, Assistant to the President for International Economic Affairs for the Council of International Economic Policy, April 30, 1973, (also known as **The Flanigan Report**), pp.4-5.

[56] William P. Browne and Charles W. Wiggins, "Interest Group Strength and Organizational Characteristics: The General Farm Organizations and the 1977 Farm Bill," in **The New Politics of Food**, 1978, p.110.

[57] John G. Peters, "The 1977 Farm Bill: Coalition in Congress," in **The New Politics of Food**, 1978, p.24.

and if the pie was too small, they [Congress] could just make it bigger,"[58] explained John Baize, Washington director of the American Soybean Association.

At a time of a budget squeeze, however, each group clamoured for financial relief while the administration attempted to keep spending under control. Farm interests scrambled to protect their shrinking share of the limited federal budget. This was the situation in 1981 when a new farm bill was formulated. "An every-man-for-himself attitude" sent the farm community into a state of war, fighting among themselves for an adequate piece of a constant, instead of expanding, pie. The break-up of the farm coalitions made the farm community more vulnerable to the pressure imposed by the non-agriculture sectors and the administration. Once the coalition collapsed, the commodity groups, representing narrowly focused special interests, found it very difficult to rally the public support necessary to expand their share of the government budget. As a consequence, they were more subject to the pressure of the administration and depended even more on the USDA officials to fight for them.

This analysis suggests that if an explanation is needed for "how farmers managed to continue to capture large transfer payments year after year when their numbers were so small and shrinking" in the 1980s, it seems the question will not be found in the political influence of farmers and their organizations, who increasingly depended on the USDA to defend and promote

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[58] Congressional Quarterly Almanac, 1981, p.539; Congressional Quarterly Weekly Report, 1981, p.1295.

This was even the case in the 1977 farm bill making. Determined to balance the budget at the end of his term, President Carter set the budget ceiling for agricultural spending at $2.3 billion in February. In the summer, as market situation worsened with coming harvest and dropping prices, President Crater, convinced by Secretary Bergland and Chairman of the House Agriculture Committee, Thomas Foley, to increase the levels of support. The budget outlays for agriculture soared to $4.3 billion. In Congress, the first budget resolution also set the spending ceiling at $2.3 billion. Technically, once the budget resolution was adopted, any bill coming before the Budget Committee was subject to cuts within the ceiling set by the resolution. To allow an increase in support level, however, Senators Talmadge and Dole, both serving at Agriculture Committee and Appropriation Committee at the same time, offered an amendment to revise the outlay for agriculture in the second resolution to $6.3 billion and the amendment was accepted by a vote of 64-27. It was explained by Senator Dole: "Even using the budget outlay figures for fiscal year 1977, the variation is even more dramatic. ... The first concurrent resolution agreed to in May last year listed total outlays for function 350 (farm support) at $1.9 billion. This was raised to the level of $2 billion in the second concurrent resolution and $3 billion in the third concurrent resolution, and finally to $4.5 billion on May 11, when conferees agreed that outlays for fiscal year 1977 would be $2.6 billion more than anticipated a year earlier. The point I make is that we are going to have a second resolution, and we can take care of it. We will not thwart the budget process." It was obvious that the rules were there, but the will to follow the rules was lacking. (Congressional Record, 1977, p.16297).

their welfare and interests. As agricultural policies involved many macro-economic factors and as other government agencies became the real contenders over the established policy programs, the fragmented farm groups, while fighting among themselves, simply were unable to compete with other larger and more powerful groups without the support of the USDA. This further confirms the earlier argument that power among members of a policy community is never equally distributed. Asymmetric power relationship in favour of the "state" must be recognized.

2.3 Changing Games in the Agriculture Committees

When the 95th Congress convened, about two-thirds of the House Agriculture Committee members had been elected after 1974. Several factors can explain this high turnover of the committee members. In the 1970s, the agriculture committees became the most wanted ones in Congress.[59] As agricultural issues captured media headline, politicians pursued committee seats for their prestige. Also when agricultural policies affected every segment of society, congressmen did not want to see their constituents being left out of the process. Another reason for high committee turnover was "due to the rise of the two-party system in the South, the area that had traditionally dominated the congressional agricultural committees."[60] The political and institutional implication of this change was that as society became more urbanized, these new members brought into the committees various interests which might not be compatible with those of farmers. Thus, stronger leadership was needed. Also with many young and inexperienced members, the agriculture committees were more willing to work with the USDA and depended more on those "farm program stalwarts in Congress ... whose basic views took shape during disastrous years of the nineteen-thirties, when commodity programs saved a great many farm people from disaster."[61] The best example was shown in the two committee chairmen.

In 1980 Senator Talmadge was defeated for reelection after serving in the Senate agriculture committee for 24 years. In the House, Thomas Foley (D-WA) gave up his chairmanship of the Agriculture Committee to become Majority Whip. Both Talmadge and Foley

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[59] "I can remember," recalled Senator Dole, "there was a time when you almost apologized when someone asked your committee assignment and you sort of said quietly I am on the Agriculture Committee." Then in the 1970s, "there has been more action in these committees and... we have more candidates on out committee." (**Who's Making Foreign Agricultural Policy?**, p.163).

[60] Dale E. Hathaway, "Government and Agriculture Revisited: A Review of Two Decades of Change," American Journal of Agricultural Economics, v.63, December, 1981, p.782.

[61] Paarlberg, "Agricultural Programs in the Seventies," p.20.

were praised as "masters of compromise and consensus" and known for their "shrewd grasp of the intricacies of farm programs and politics."[62] Jesse Helms and Kika de la Garza became the new chairmen.

After an eight-year tenure in the Senate, Helms was known for his outspoken conservatism on social issues and foreign affairs. He was not very interested in agricultural policies except those which would affect tobacco growers, whom he perceived as his **only** constituents, but he was keen on cutting spending on food programs, such as the food stamp and school lunch programs.[63] His ultra-conservative position alienated many members in Congress. Some Senators even swore that they would not do anything to benefit Helms even though they might support the programs coming out of the agriculture committee. Senate Majority Leader Howard Baker had to ask Senator Dole, a long-time advocate for farm interests, who always voted with committee Democrats for the programs, to take over the 1981 farm bill in the Senate.[64] Kika de la Garza (D-TX) had replaced Foley as the House agriculture committee chairman. "No one claims de la Garza is a vastly original thinker," an observer commented.[65] Being a new chairman and unfamiliar with the budgetary process and the complexity of agricultural programs (other than those concerning sugar growers), de la Garza was unable to take the lead. His leadership was further undermined when the administration gave the green light to an increase in sugar price supports to rally Southern support. Foley came to help as the Majority Whip and chairman of the Subcommittee of Wheat, Soybeans and Feed Grains.

Another factor which undermined the Senate committee's role in the 1981 farm bill was that the Republican-controlled Senate committee lost its freedom to bargain with a strong-minded

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[62] William J. Lanouette, "Don't Look for Quick Policy Shifts From the GOP Senate's Committees," National Journal, January 3, 1981, p.16; "Agriculture Panel's Course Unchanged," Congressional Quarterly Weekly Report, 1981, p.374.

[63] In both 1973 and 1977 farm bill making, Helms demonstrated himself as a strong opponent of the food stamp programs for strikers and their households. He had argued, "public assistance in the form of the distribution of food stamps to strikers' households has the undeniable effect of giving a distinct economic advantage to the union in the collective bargaining contest." (Congressional Record, 1977, p.16272). Later, he was not only opposed to food stamps to strikers but also hostile to food assistance to all the needy, criticizing the food stamp program for being waste and fraud.

[64] Congressional Quarterly described Robert Dole as "by and large a party man and a strong supporter of the President's programs, a loyal Republican and a team player, except on two issues -- food stamps and agricultural support programs." (Irwin B. Arieff, "Compromise Crafter Dole is Earning a Reputation As a Power in the Senate," Congressional Quarterly Weekly Report, 1981, p.1210).

[65] Joel Solkoff, **The Politics of Food**, San Francisco: Sierra Club Books, 1985, p.202.

Republican president who committed himself to reducing government expenditures; and it also lost an opportunity to look good to farmers. This was important because as the House membership had become more urbanized, the Senate was viewed as more receptive to higher farm supports, for every Senator had some farm constituents.

The coalitions inside the committees were further weakened because of the increasing conflicts among their subcommittees. "The congressional committee process, insofar as the substantive committees on agriculture are concerned, has been dominated by a collection of commodity group representatives primarily concerned with the single or few commodities predominant in their district."[66] These subcommittees were custodies of particular programs and each was the ready focus for special interests. These conditions increased access of legislators to single-interest commodity groups and became extremely powerful.[67] Also like the case with farm organizations, there had been a custom of splitting the difference in spending figures and other provisions among subcommittees at a time when enlarged budgets for enlarged programs came to be expected as a way of reducing political conflict. While the subcommittees were still where the action was in the 1980s, they were increasingly subject to the tight appropriation constraints of the [illegible].[68] Facing the pressure from the administration to reduce "the growth in Government spending," the cohesion of the parent committees broke down with each subcommittee trying to uphold its share of the limited pie.

Finally, the changed budget-making process made it procedurally difficult for the committees to control their direction. The Budget and Impoundment Act of 1974 (the Budget Act) established budget committees and the Congressional Budget Office (CBO) and provided that it was in the budget committees that the producer-oriented programs had to be balanced against the consumer oriented programs, social programs, defense and other national needs.[69] "The very

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[66] Hathaway, "Government and Agriculture Revisited," p.782.

[67] Clifford Hardin, "Congress is the Problem," <u>Choices</u>, Premiere issue, 1986, pp.6-10.

[68] Roger H. Davidson, "Subcommittee Government: New Channels for Policy Making," in **The New Congress**, eds. by Thomas E. Mann and Norman J. Ornstein, Washington: American Enterprise Institute for Public Policy Research, 1981, pp.99-133.

[69] Interestingly, the original intent of the Budget Act was to put Congress on a more equal footing with the president in setting overall federal spending and revenue priorities. The act was also designed to limit the president's ability to preclude the expenditure of funds appropriated by Congress. Later, in agricultural legislation formulation, agricultural committees found themselves the be the victims of their own products -- the new budget process. (G. William Hoagland, "The New Congressional Budget Process: Impact on Food and Nutrition Policy Making," in **Agricultural-Food policy Review: Proceedings of Five Policy**

nature of the budget process took policy consideration away from authorizing committees and fiscal decisions away from appropriating committees,"[70] whose House component had been in the hands of Jamie Whitten (D-MS), with only one two-year break, since 1949. In addition, the procedure of reconciliation severely weakened the committee chairmen's positions to "insulate their members from the president and had no resources that could counter his."[71] The political implication of this budget procedure reform was that by capping the total amount of spending and creating what was, in effect, a fixed pie for farm program spending, the administration was able to pit one commodity group against another. Increased tension among commodity groups as well as their representatives in Congress competing for a budget share broke the coalitions, which had been so important to maintain political support for farm programs at a time when the farm population had shrunk to less than four percent of the population. In sum, a divided agricultural community had a much more difficult time receiving political and financial support for their commodity programs.

A policy community is characterized by settled membership, accepted routine practices, rules that govern patterns of relationships and consensus on policy agendas. When one of these elements is forced to change to suit new developments in the political and economic environment, it will inevitably lead to changes in others. That is, changing power relationships between the community members and the administration and among the community members highlights the changing farm politics in the 1980s.

3. Changes in the Policy-Making Process

Changed power relationships among actors in a policy community are signified in the policy process.[72] This, however, does not guarantee a departure from the existing policies which are at the core of any policy community. Specifically, the policy objectives pursued by the

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Seminars, USDA, Economics, Statistics, and Cooperatives Service, September 1978, pp.133-141).

[70] C.L. Infanger, W.G. Bailey and D.R. Dyer, "Agricultural Policy in Austerity: The Making of the 1981 Farm Bill," American Journal of Agricultural Economics, v.65, 1983, p.5.

[71] Steven S. Smith, "New Patterns of Decisionmaking in Congress," in The New Direction in American Politics, eds., John E. Chubb and Paul E. Peterson, (Washington, D.C.: The Brookings Institution, 1985), p.224.

[72] Atkinson and Coleman, "Policy Networks, Policy Communities and the Problems of Governance," p.158.

national government, the relationship the President maintains with his cabinet members, working relationships between different agencies and the power configuration in Congress all affect the operation of any policy community. The previous section shows the difficulty agricultural producers had to continue to obtain the policies and economic support they desired. Yet, the question remains: why did farm policies remain largely the same as they were created in the 1930s? Also many studies have argued that the Reagan administration reversed the direction of post-war economic policies. Obviously, agricultural policy development in the 1980s shows the opposite. Farm support programs under the Reagan administration not only continued but also [illegible] with such a magnitude that they surpassed all previous ones.

Economics played an important role in deciding the direction of farm policies, though they were not purely the result of economic factors. "The influence of economic variables is exerted through the mediation of the political process."[73] When the economic environment is uncertain, participants are less willing to dismantle the existing programs which might prove to be ineffective. When no one can predict the future shocks with which agricultural policy would have to cope, it is difficult to choose the right program to correct the perceived problems of the existing ones. Uncertainty means risk taking in policy making. To be safe, politically and economically, policy makers tend to maintain the existing programs and add more measures in response to emerging problems rather than change the basic ones. To understand this phenomenon, we also have to examine another two kinds of transaction costs which make changes of an economic institution extremely difficult -- costs of obtaining information of the economic situation and of the operation, benefits and costs of the operation of the existing and future economic system, and costs of negotiating particular changes. The issue was important in the Carter and Reagan administration exactly because of the changed power relationships among members of the agriculture community and between them and outsiders. But high transaction costs were the primary obstacles to change even in the face of growing demand for it.

Examining the shared policy objectives and consensus on policy instruments in both the Carter and Reagan administrations, the first part of this section is to argue that for a policy community to sustain, there must be a consistent set of policy objectives and policy instruments

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[73] Michel Petit, **Determinants of Agricultural Policies in the United States and the European Community**, Research Report 51, International Food Policy Research Institute, November 1985, p.16.

which is usually ensured by the consensus of the people concerned. In the period under study, such a consensus was more the result of the inability and difficulty of outsiders, including the presidents and his cabinet members, to obtain the information, knowledge and skills necessary to pursue any meaningful changes than the ideological orientations shared by the two administrations.

The second part is to examine the bargaining process of pursuing and resisting changes. To change the rules governing the established economic institution means to change the monetary and non-monetary benefits and costs relationship of those concerned. The organizational arrangements are created to maximize the objectives of the creators. This means that even when the power relationships of members of a policy community have changed, the community as a whole has the advantage to maintain what it desires. Transaction costs are embodied in the formal and informal rules and practices, which operate in favour of the established economic institution. To show this, we are going to study the formulation of the 1977 and 1981 Farm Acts and, especially, the policy decisions made in 1978 and 1982 to strengthen the government's role in promoting and protecting farmers and the agricultural industry.

3.1. Shared Policy Objectives

One of the main achievements in the 1970s was that agricultural policy became more "market-oriented" even though the progress was achieved not by intentional efforts of either policy makers or farmers but as a result of some unforeseeable events.[74] Production controls were suspended (the Secretary, though, maintained the authority to re-impose them whenever necessary). Target prices and loan rates were the main policy measures to support farmers should the market situation worsen. Despite different ideological orientations, both the Carter and Reagan administrations from the very beginning decided to uphold the fundamental objectives of agricultural policies -- to provide some forms of standby guarantees to the farmer against undue fluctuations in his income, to assure him a fair return on his financial investment, provide for

[74] Secretary Butz admitted, "I had the good fortune to be here when exports started up, when there were some crop failures around the world, when the Russians decided they'd better give their people a little meat, more protein, and they had to have some feed grains and oil seeds to do it.. And prices started up." (Earl L. Butz, "Historical Perspective," in **Agricultural Outlook '84**, 1983, p.590; Don Paarlberg, "Emerging Policy Issues," **1977 U.S. Agricultural Outlook**, papers presented at the National Agricultural Outlook Conference Sponsored by the USDA, November 15-18, 1976, prepared for the Senate Committee on Agriculture and Forestry, December 10, 1976, p.169).

abundant supplies of food and fibre at reasonable costs to consumers, and maintain its share of the world market which had benefitted U.S. farmers and the national economy so much from 1973 to 1976. There was also a consensus that the main policy instruments through which policy makers could achieve their agreed policy objectives -- target prices and loan rates -- should be preserved.

The consistency of policy objectives and policy instruments in the Carter and Reagan administrations can be explained by the nature of agricultural economic institutions, which involves a high transaction cost for change. To pursue changes, one has to have the knowledge about how the existing system operates and who is to benefit and who is to pay the costs to make changes, etc. At the time, the USDA was the only agency able to make all the evaluation. The "USDA employs the largest number of experts on food and agricultural policy, [who] are knowledgeable and competent [and] are generally better informed than their academic counterparts on policy issues and their research is more directly applicable to policy decisions."[75] It has been the principal source of food and agricultural policy analysis and its evaluation of the present and future market situation and policy implications without any doubt affects the policy makers.

In 1977 and 1981 when major farm acts were under consideration and in the process of formulation, the USDA repeatedly published its studies showing the necessity of continuing the existing farm programs with higher support levels. In 1977, the USDA's study showed that most of the world-wide events that had triggered the boom in agriculture in the early 1970s had vanished. Three bumper harvests in 1975-76-77 in the U.S. and other parts of the world, including in several major importers of U.S. agricultural products, rebuilt stocks and the spectre of chronic food shortages was fading. While farm prices were falling, the inflationary pressures set in motion by events such as the oil embargo and by the world commodity shortage were continuing to push farm input prices ever higher. The economic situation, USDA studies concluded, without any doubt warranted some positive actions taken by the federal government to alleviate the hard financial situation of the farmer.

In 1981, different stories were told to policy makers and the public by the USDA. The USDA wanted to pursue an extension of the 1977 farm act because it predicted that the situation

[75] Glenn L. Nelson, "A Critique of Executive Branch Decision-Making Processes," American Journal of Agricultural Economics, v.65, 1983, p.903.

would remain similar in the next four years. Farm prices and incomes had dropped somewhat since the mid-1970s but the situation was not too bad for farmers because exports had increased dramatically since 1978. Despite the grain embargo against the Soviets for their invasion of Afghanistan, domestic and world stocks for most commodities were low.[76] The USDA concluded that an extension of the 1977 farm act was necessary for three policy instruments -- the target price, loan rate and farmer-owned reserve systems -- were the only measures left to help farmers should export the situation deteriorate.

Moreover, "beliefs about legitimate claims to economic benefits and the relationships between particular rights and benefits are important in shaping political-economic policy."[77] At a time of growing international competition, the studies by USDA officials showed an increasing protectionist policies adopted by other governments, especially those of the EC. It was argued that government subsidies could only be counterattacked by government actions and the American farmers deserved their government protection. In both cases, no other government agencies had the resources and ability to conduct studies disputing the analyses of the USDA. This fact left the administration almost no room to pursue any substantial change but only to continue the farm programs.

Both President Carter and Reagan agreed that farmers should be protected with the existing policy measures. President Carter and Secretary Bergland indicated that they were committed "to the proposition that we need to keep a market-oriented economy," and wanted to see the continuation of the existing more "market-oriented" farm programs which had started under Butz and encourage full production but with more government protection.[78] Since target prices and loan rates were the few measures which still existed and through which farmers could be protected, they should be raised to be equivalent to production costs, in order to cushion

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[76] William G. Lesher, "Economic Conditions and the 1981 Farm Bill," in Agricultural Outlook Conference, USDA, November 2-5, 1981, Washington, D.C., pp.709-13.

[77] James Duncan Shaffer, "Selective Perceptions and the Politics of Agricultural Policy," in Kramer, ed. **The Political Economy of U.S. Agriculture**, p.65.

[78] Balz, "Bergland Says the Farmer and Consumer Should be Friends," p.385; "New Congress Faces Decision on Farm Policy," Congressional Quarterly Weekly Report, September 25, 1976, pp.2603-05; Statement of Bob Bergland in **Nomination of Hon. Bob Bergland to be Secretary of Agriculture.**

"farmers and consumers alike against wide sw..ngs in prices and supplies."[79] While swearing to "get the government out of business," President Reagan did not want to see a radical change in farm programs. He favoured "refinements" of the 1977 farm bill and endorsed the target price and loan rate system, continuation of acreage diversion and set-aside programs as a way to adjust production and the farmer-owned grain reserves, a program implemented in 1977.[80]

Despite the Republican takeover of the Senate, a policy shift was out of question from the beginning. "Neither the bipartisan style nor the pro-farmer bias of the Senate Agriculture Committee will change under its new Republican leadership," as Jesse Helms set the tone for the Senate Agriculture Committee.[81] Explaining their intention of pursuing no drastic changes, the new majority staff director of the Senate Agriculture Committee, George S. Dunlop, said, "There's been a certain consensus in farm policy for years now, and I don't see substantial change in that ... There's a whole delicate mix of programs that has been pasted together over the last decade and a half, and that's certain to remain intact."[82] Some CEA and USDA officials also predicted that the new farm bill would simply "extend the policy framework embodied in the 1977 and its subsequent amendments."[83]

Furthermore, having realized the positive contribution that agricultural exports made to

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[79] Statement of Bob Bergland, Secretary of Agriculture, before the Senate Committee of Agriculture and Forestry, March 23, 1977, USDA 776-77, p.28.

Secretary Bergland argued that, "the support rate should be high enough to protect the farmers against the economic disaster that will occur because of international weather trends and economic circumstances over which he or she has no control, and yet not so high that we are out of business." (Ibid., p.4).

The opposition insisted that high target prices would become economic incentives for farmers to grow for government than for the market, which would lead once again to government acquisition of commodities, followed by acreage restrictions and other rigid controls. Thus, the issue was how much of a cushion there should be to protect farmers and agricultural.

[80] "The current Farm Act is essentially a continuation of the government farm programs developed by Congress in the early 1970s," said Ronald Reagan during his campaign. "We don't need a new farm bill ... just competent people." ("Farm Issues -- Where Carter and Reagan Stand: Candidates answer questions from Farm Journal editor," Farm Journal, October, 1980, pp.17-18).

[81] Congressional Quarterly Weekly Report, 1981, p.374; Lanouette, "Don't Look for Quick Shifts From the GOP Senate's Committees;" "What Will Republicans Do With '81 Farm Bill?" Successful Farming, v.79, no.1, January, 1981, pp.4-5.

[82] Quoted from "Don't Look for Quick Policy Shift From the GOP Senate's Committees," p.14.

[83] William T. Boehm, "Agricultural Policy: Some Hard Choices Ahead," Southern Journal of Agricultural Economics, July, 1981, p.1.

the U.S. balance of payments[84] and the growing importance of agricultural trade to an expanding constituency which saw this leading to higher income and more jobs, policy makers were willing to maintain the existing farm programs. Meanwhile, it was realized that somehow inflation had to be controlled if they desired a prosperous agriculture[85] and both politicians and farmers had recognized the potential constraint which might result from balancing the budget and controlling inflation.

The agreement on extending existing farm programs was explained as a result of political influence, economic costs and social and cultural constraints. Politically, it was argued that "almost no politicians today would dare get up before a farm audience and suggest that we do away with all price support programs."[86] Economically, it was argued that since 1973 U.S. farmers had become more dependent on foreign markets for maintaining farm prices and incomes and more vulnerable to changes in the domestic political and economic situation, international developments and political decisions made by foreign governments. Thus, the government had more obligation to protect farmers who were confronting changes over which they did not have much control. This was politically as well as economically important to agriculture and the nation as a whole. Socially, it has been always maintained that there has been the historical myth of agrarian fundamentalism, which is very long-lasting and stamps public policy with a definite pattern over long periods of time. The combination of these factors reflected the high transaction costs in reform the established agricultural institution.

3.2 Farm Policy Making

While there was a consensus on policy objectives that would ensure a continuation of existing farm programs, there was no agreement on how much government should provide for what group of farmers at a time of a tight budget. Despite a shared interest in expanding export

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[84] Since 1971 the surplus in the agricultural trade account rose from $1.9 billion to $23.9 billion in 1980. This surplus offset much of the deficit in the nonagricultural account, which rose from $3.9 billion in 1971 to $48.7 billion in 1980. (USDA, Economics and Statistic Service, **U.S. Foreign Agricultural Trade Statistical Report, Calendar Year 1979**, October 1980, p.1; USDA, Economics and Statistics Service, **Foreign Agricultural Trade in the United States**, January/February, 1981, p.5).

[85] In 1981 both chairmen of congressional agriculture committees, Jesse Helms and Kika de la Garza, expected the support from both farm politicians and farmers to curb inflation. "Farmers understand that unless this inflation is cured, they don't stand a chance no matter what kind of farm bill we pass," Helms said. (Congressional Quarterly Almanac, 1981, p.539).

[86] Farm Journal, November 1980, p.68.

markets, the conflicting interests between agricultural producers, consumers, government officials and different commodity groups exasperated the internal tensions of farm politics.

"Tenacious survival ability" of the agricultural policy community was demonstrated in the negotiation process in which political and institutional disparity of protectors and challengers of the farm programs was demonstrated. For more fundamental policy changes and changes in the guiding principles within which policies are formulated, benefit/cost analysis is ordinarily insufficient. Policies are always supported and protected by a set of organizational arrangements which over time has created entrenched constraints on both people concerned and people who are pursuing changes. Thus, pursuing changes in policies will inevitably meet resistance from the established organizational arrangements. Here we see the other set of transaction costs which is induced in the negotiation process for change. The "principal's problem" -- the agents created by the principal are in charge: "setting the structure, exercising control, taking steps to ensure that the principals comply with their wishes,"[87] is the main component of this set of transaction costs. The problem was reflected in the USDA's dealings both with the Executive and Congress. The following sections will show how routines, customs, traditions and conventions were utilized with the combination of formal rules by the USDA to achieve its desired policy objectives.

3.2 (a) The 1977 Farm Bill

Turning ideas into legislation and policy can be an arduous process, which is affected by the structures of and strategies taken by organizations. In 1977 when a new farm bill was formulated, commodity programs continued to be the core of farm politics and farm interests were the predominant ones involved. At the same time, President Carter promised to balance the federal budget by fiscal year 1981 and spending on the farm program was one thing the administration wanted to control. The administration's preoccupation with balancing the budget ran into direct conflicts with the USDA's desire to provide a higher level of support. The most immediate task for policy makers, therefore, was to choose a proper level of support within the limited budget ceiling set by President Carter -- a level high enough to help farmers fight cost-production squeeze but not too high to price U.S. farmers out of the world market.

As usual, "most farm bills have substantial bureaucratic input prior to introduction."[88]

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[87] Moe, "Political Institutions," p.233.

[88] Browne and Wiggins, "Interest Group Strength and organizational Characteristics," p.116.

At the request of the congressional agriculture committees, Secretary Bergland asked his Director of Economics, Howard Hjort, to organize the study and work out a blueprint of the 1977 act which would carry "the administration's imprimatur."[89] While for USDA officials the policy priority was to increase support levels, as the economic condition was deteriorating in the farm sector, for the administration, budget control was the top policy priority. Knowing that President Carter was committed to national budgetary control, USDA officials presented a proposal providing quite a generous increase in target prices and loan rates and requesting greater discretion be granted to the secretary of agriculture. Their efforts were checked by the OMB, the CEA and other government agencies and their preferred support levels were lowered substantially to balance the President's commitment to budget control.[90] As a team player, Secretary Bergland defended the position of the executive despite his disagreement with the decision to limit the increase. As a spokesman of farm interests, he wanted to achieve as much as possible for farmers.[91]

While there were several agencies trying to carry out Carter's commitment, they sought somewhat different policy priorities -- the OMB, for example, wanted to balance the national budget, the Treasury to control inflation and the CEA to promote economic efficiency. Their counterpart, the USDA, however, had a single policy goal -- to stabilize farm prices and incomes. "No other sector of the U.S. economy," as noted by an observer, "has the economic and political ties to a single department as farmers do to the USDA. No other sector simultaneously sees other departments with quite different interests and constituencies constantly and repeatedly intervening in matters they view as important to their economic well-being."[92] The balance of power tilted to the USDA. As the decision making locus elevates from lower to higher levels in the executive, there is a tendency that the person who has the political power to make decisions usually is not

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[89] Penn, "The Federal Policy Process in Developing the Food and Agriculture Act of 1977," p.15.

[90] Ibid.

[91] To Secretary Bergland, this was an issue of "the private rights versus public interest question." (**General Food and Farm Act**, hearing before the Senate Committee on Agriculture and Forestry, Book I, March 24, 1977, p.957). Interestingly to note that in the early 1977, farmers' attitude was: "Leave us alone, but stay close by." They wanted "government guaranteed cost of production, yet less government involvement. ("Farmers to Government: Leave Us Alone But Stay Close By," Successful Farming, v.75, February 1977, pp.8-10ff). This apparently contradictory demand rendered the Secretary a great responsibility to pursue the best interests for farmers as he saw fit.

[92] Hathaway, "Government and Agriculture Revisited," p.784.

the person who is thoroughly immersed in one field and has a deep knowledge of it.[93] This often can discredit the higher officials and leaves room for the specialists to manoeuvre.

During the congressional debate on the 1977 farm bill, Secretary Bergland publicized the differences between the administration and the USDA. He told the latter that he would not have pursued the same policy proposal submitted by the administration if he were still serving in the committee[94] because he believed that farmers needed better protection from the government if the country wanted them to stay in business and produce adequate food for the country and the world and he publicly supported those who argued for higher support levels in Congress. To those who demanded higher target prices and loan rates, he remarked "equity is with you."[95] To the administration, he made it clear that he had only 5 votes in the House Agriculture Committee and none at all in the Senate committee in supporting the administration's proposal.[96] While Secretary Bergland was trying to persuade President Carter that some measures were needed to alleviate farmers from economic depression for both political and economic reasons, USDA officials published studies to "confirm" his persuasion, showing that farm income in 1977 could drop 50 percent if the weather would continue, as the USDA predicted it would, to be good in the U.S. and the world.[97] The USDA in fact "forced" the administration to make several compromises by publicly supporting the raise of farm support levels and by issuing statistics showing the necessity for doing so.

After the administration was convinced that higher levels of support were needed, Bergland went to the agriculture committees and told them that it would be unwise to propose any increase beyond the recommended levels. Otherwise he would recommend a presidential veto.[98] While facing the pressure from their colleagues in the budget committees, committee members now had to confront the threat from their "friend" in the executive. They did not have

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[93] Bonnen, "Observation on the Changing Nature of National Agricultural Policy Decision Process, 1946-76."

[94] **General Food and Farm Act**, p.956.

[95] Congressional Quarterly Weekly Report, 1977, p.1557.

[96] Penn, "The Federal Policy Process in Developing the Food and Agriculture Act of 1977," p.22.

[97] Daniel J. Balz, "The New Farm Bill May Be Left Up To the Clouds," National Journal, 1977, p.282.

[98] Congressional Quarterly Weekly Report, 1977, p.820.

any choice but to turn to the Secretary for a solution.[99] In the whole process, the USDA played a role of mediator between the executive and Congress and at the same time pursued the interests of farmers as it saw fit. As a consequence, the USDA's bargaining position with the administration and Congress was further strengthened by the difference between the executive and legislature and it played a decisive role in the 1977 farm bill making. The case suggests that, as a agent whose power comes from both the president and Congress, the USDA, with its expertise, delegated authority and various resources, often is in an advantageous position in bargaining with both.

3.2 (b) The 1981 Farm Bill

In 1981, the administration's top priority was "reducing the growth in Government spending and taxing, reforming and eliminating regulations which are unnecessary and unproductive or counter-productive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency."[100] In terms of agricultural policy, it wanted to reduce the role of government in production and marketing and reduce the costs of federal farm programs to a minimum level. As the federal budget came under continuing scrutiny, agriculture's share of the budget shrank. This implied that increasing competition would occur between agricultural and "outside" interests -- as well as among agricultural interests -- to determine how to slice the static or shrinking pie.

Examining the decisions on the dairy programs and programs on wheat and feed grains, this part again tries to illustrate the institutional disparity between an established economic institution and its challengers.

The first victims of the budget cut in 1981 were dairy producers. The dairy programs had been controversial for many years as they still followed the traditional parity support system and the support level was adjusted with the inflation rate. A high support level was argued to be the main reason for increasing production, stock, high costs for consumers and increasing

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[99] Balz, "Agriculture under Bergland," p.1920.

[100] Congressional Quarterly Almanac, 1981, p.16-E.

government spending.[101] To stop farmers from producing for high-support prices and to control government spending on the dairy program, the administration took three major actions in 1981. It decided, first, to cancel the scheduled April 1 increase in the dairy price support provided by the law and, second, to lower the price support level as part of the general budget cut. Finally, when the 1981 omnibus farm bill was formulated later in the year, it asked Congress to give the Secretary discretionary authority to set the minimum price support level lower than 70 percent of parity. The USDA supported all three actions.[102]

The dairy program was singled out as the first major piece of legislation to test the new chief executive's political power in carrying out his economic policy partially because of the USDA's support. In March, when the administration asked Congress to eliminate the April 1 adjustment in the parity price support for dairy products, the USDA published a series of studies, showing the public and politicians that the scheduled increase would lead to potentially high retail prices for dairy products. It would cost consumers, for example, an additional eight cents per gallon for milk and would lead to additional surpluses held in the government hands, which

[101] Under the existing legislation, government was pledged to buy certain milk products (dry milk, American cheese and butter) at official support prices to provide floor under all private milk markets. The support prices were tied to the parity index of farmers' costs in 1910-1914 period. The legislation required the support be set between 80 to 90 percent of parity and the Secretary of Agriculture determine the support price twice yearly to give accurate reflection of changes that might occur during the semiannual period. Under the dairy program, if a farmer was not able to sell his dairy products at a price equivalent to the percentage of parity set in the law, the government must buy the excess at that price and store them. With the increased production, there was an increase in total stock of dairy products and by the end of 1980, it went up to 1.6 billion pound, including butter, cheese and milk. (USDA, **Agricultural Statistics**, 1987, p.338) These continued efforts to keep price support more close in line with inflation brought about a rapid increase in government expenditures in the dairy supports and related programs also soared.

Fiscal Year	Total USDA Expenditures	CCC Net Expenditures	Net Realized Loss
(million dollars)			
1977	824.0	714.3	29.5
1978	389.2	451.4	192.7
1979	384.7	250.6	204.7
1980	1,436.6	1,279.8	314.5
1981	2,093.5	1,974.7	764.6
1982	2,267.3	2,239.2	1,136.2

(Petit, **Determinants of Agricultural Policies in the United States and the European Community**, p.39).

[102] The USDA never tried hard to change the dairy programs and always blamed Congress for the expansive supports and accumulated surpluses. As Secretary Butz once explained, "everyone of our 48 lower states have dairy in them, and that means there are 96 members of the Senate who are aware of the third largest pack program in the United States, namely the dairy industry." (Butz, "Historical Perspective," p.590).

would lead to a $147 million increase in purchasing and storage costs in 1981.[103]

The second cut of the dairy program was included in the whole package of the reconciliation bill, which was under the special rules. That is, there was a 200-hour limit on debate. Imposition of this rule not only eliminated chances to filibuster but also made it very difficult for the committees to evaluate the programs.[104] These rules were applied to the budget as well as non-budget, substantive and maybe controversial legislative matters, such as dairy programs. The cut of dairy supports as a part of the whole budget pac e prevented committee members from bargaining with other groups. As Stockman explained:

> In the past, people could easily get votes for their projects or their interests by saying, well, if they could cut food stamp and CETA [Comprehensive Employment Training Act] jobs and two or three other things, then maybe we would go along with it, but they are just picking on my program. But, now, everybody perceived that everybody's sacred cows are being cut. If that's what it takes, so be it.[105]

The administration's efforts at cutting agricultural programs, nonetheless, were not consistent mainly because as the White House assumed an increasing role relative to USDA, temporary political concerns and the pressures of a particular moment were taken more into consideration than "technological and institutional features of the agricultural sector." Thus, "decisions tend to be episodic."[106] For example, to win political support for its budget and tax-cut package from the Southern politicians, the administration supported several controversial

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[103] Congressional Quarterly Almanac, 1981, p.550.

[104] The reconciliation process was created by the Congressional Budget Act of 1974 as a means of forcing committees to comply with congressional approved spending level. It had been used only once in 1980, when Congress believed it could balance the budget in 1981. That exercise reduced the deficit by $8.2 billion by slashing some funds and raising new revenues.The fiscal 1981 budget remained unbalanced despite the efforts. Under the reconciliation provision, Congress could draw up a legislation to cut back outlays for federal programs already in the book. The Reagan administration decided to use the procedure to carry out its unprecedented budget cut. House Rules Committee chairman, Bolling, made the point clear, saying, "This is the most excessive use of presidential power and license. And reconciliation is the most brutal and blunt instrument used by a president in an attempt to control the congressional process since Nixon used impoundment." (Congressional Quarterly, **Budgeting for Americar The Politics and Process of Federal Spending**, Congressional Quarterly, Inc., 1982, p.7; Aa[illegible] Wildavsky and Joseph White, **The Deficit and the Public Interest: The Search for Responsible Government in the 1980s**, Berkeley: University of California Press, 1989).

[105] Greider, "The Education of David Stockman," p.36.

[106] Nelson, "A Critique of Executive Branch Decision-Making Processes," p.902.

programs, those for peanuts, tobacco and sugar in particular.[107]

This gave an opportunity for the USDA to bargain with the administration on the main part of the farm legislation: wheat, feed grains, soybean, cotton and rice programs. The administration, pushed by Stockman, proposed a termination of target prices and requested that more discretionary authority be granted to the Secretary of Agriculture. Frustrated by Stockman's efforts to cut the budget,[108] Secretary Block and his department tried to avoid direct confrontation with the administration while pushing for their preferred policy programs. They "sent informal signals to the department's affected farm constituents and tried to muster support for the endangered programs through the contacts of [their] key aides in the states and on Capitol Hill."[109] They also took full advantage of the discretion acquired over the years in pursuing their desired policies. For example, one day before going to the Senate committee to present the administration's proposal, Block announced an increase in the target prices and loan rates for the 1981 crops. In September, 1981, Block announced that the USDA would ask wheat farmers to cut back their acreage to strengthen prices. "The authority that Block proposed to use was one of the production controls that Reagan had asked Congress to cancel six months earlier."[110]

During the heated debate on the farm bill to reduce the support levels, Congress received fresh reminders from the USDA of the depressing farm situation and potential price collapse in the near future.[111] It was also informed that budget costs provided by the administration's

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[107] Knowing that continuation of the sugar program would cost consumers $2 to $5 billion, OMB Director Stockman promised sugar growers and politicians that the administration would not oppose revival of sugar supports, a scandalous price-support loan program killed in Congress in 1979. (Greider, "The Education of David Stockman," p.50) To win political support of Southern politicians, the administration again publicly supported the continuation of the tobacco and peanut programs, which carried the most regulatory terms among all agricultural programs. (Congressional Quarterly Almanac, 1981, pp.542-55).

[108] Stockman himself admitted that, "I sympathize with Jack Block. I forced him into a position that makes his life miserable over there. He's on the central team, he's not a departmental player, but the parochial politics of that department are fierce." (Greider, "The Education of David Stockman," p.35).

[109] Lanouette, "Agriculture Department: An Identity Crisis," p.697.

[110] Congressional Quarterly Almanac, 1981, p.540.

[111] USDA forecast net farm income in 1982 at $16 billion to $19 billion, a 42% drop from the 1979 total of $27.4 billion. (Congressional Quarterly Almanac, 1981, p.548) This number scared many congressmen away from the administration's position and became really worried about the potential price collapse.

budget analysts were misleading because of their lack of knowledge of farm programs.[112] These officials often complained that political winds brought in issues which were not relevant and participants who were ignorant about agricultural programs.[113] Like their counterparts in Congress, these USDA officials argued that if there had to be a cut in farm programs, the Secretary of Agriculture should be the one to decide the cut not the director of OMB. This demonstrates that "policy advocates are not starting with a clean policy slate."[114] Previous policies have produced pre-existing clientele relationships and their natural defenders, who have the structural advantage and substantive leverage to do their job. This was especially the case with the lower-level civil servants, who always quietly defended entrenched departmental positions and policies against political change.

3.3 Expansion of Traditional Programs

Any institution has a set of persistent and connected rules prescribing and proscribing behaviour roles, constraining activity and shaping expectations. It also defends a particular order and initial distribution of power under which market exchange takes place. One potent rule governing the operation of the agricultural economic institution is the wide discretionary authority Congress has delegated to the USDA. Once authority is delegated, the bureaucracy has the power to use it in whatever way it will benefit its interests. This is the case in both 1978 and 1982. In both cases, economic realities, political pressures and the USDA's active involvement soon scuttled the administration's budget goals.

3.3 (a) Set-Aside Programs

In the summer of 1977 when the farm bill was still in debate in Congress, the USDA initiated a 30 to 15 percent set-aside program for 1978 wheat and feed grain crops with a detailed

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[112] Senator Carl Curtis (R-NE) said, "I have heard nonsense before, but nothing like that I heard in the budget figures presented to the Committee ... if the average price received reaches that target price, it does not cost anybody anything." (Congressional Record, 1977, p.16276; Daniel Balz, "The Farm Bill Debate Is Focusing On Bread, But Not Butter Issues," National Journal, July 16, 1977, pp.1113-1115; **General Food and Farm Act**).

[113] Remarks prepared for delivery by Under Secretary of Agriculture Seeley G. Lodwick before the American Farm Bureau Federation, Bloomingdale, Illinois, July, 1982, in Major News Release and Speeches of the USDA, July 9-16, 1982, pp.7-12.

[114] Hogwood, **From Crisis to Complacency?** p.23.

study of its impact on production levels, grain stocks, commodity prices, farm incomes, inflation risks, food security at home and international trade. The proposal was submitted to the administration for review. Several agencies had interests in the programs, which included the Treasury and State Department, the CEA, OMB, Special Trade Representative, and the Domestic Policy Staff (DPS), a "broker for issues which required Presidential involvement." Each agency had its own policy priority. The Treasury, for instance, paid more attention to the cost and the inflationary impact of the program; the State worried more about the international impact of withdrawing cropland in the face of uncertainty; and the OMB was inclined to support the set-aside because a further farm price drop might lead to a further increase in budget outlays for the total agricultural programs which would eventually break the President's promise to balance the budget. On August 25 of that year President Carter announced the decision to reduce wheat acreage by 20 percent for the 1978 crop year and to build a grain reserve of 30-35 million tons.[115]

Once again, in March 1978, Secretary Bergland announced another decision to retire 4 million acres of corn land and 1 million acres of cotton, in addition to the wheat and feed grain set-aside already in effect. Meanwhile, the USDA decided to raise the loan rate for soybeans and purchase 6 million metric tons (mmt) of what for international emergency aid at the domestic market.

The case suggests that as agricultural policies affected more than farmers, a whole host of actors became interested and involved in the policy making. The inclusion of so many actors in the decision making process dramatically increased the level of conflict surrounding issues. It also suggests that with wide discretionary authority at hand and control of information and knowledge in the field, the USDA was in a more advantageous position than others to bargain for its preferred policies.

3.3 (b) Payment-In-Kind Program

The conservative side of the institution is its rules which are static and difficult to change. This is especially true regarding choices of policy instruments to accomplish the designed policy objectives. Policy makers strongly prefer those packages which have been tested even though they may not prove to be working or efficient. This can be understood as a result of the established

[115] Johnson and Penn, "The Food and Agriculture Policy Process."

rules and regulations, formal and informal, which limit certain types of behaviour but encourage others.

Unusually good weather worldwide during the 1981 and 1982 growing seasons, bumper crops, falling demand, rising export competition, and a strong dollar all contributed to falling farm prices and incomes, to swelling government and farmers' storage bins and increased federal expenditures on farm programs. At this time the USDA faced a dilemma: a reduction in the loan rates set up in the 1981 farm act was necessary to make American products more competitive in the world market, but it would increase the spread between the target price and the loan rate, and thus the budget outlays for deficiency payments. The Treasury might go bankrupt. To respond to the dilemma, the USDA announced several set-aside programs for major commodities. By the summer of 1982, it was obvious that the normal voluntary set-aside was not sufficient to help farmers. The USDA "initiated" an old program for the new situation -- the payment-in-kind programs (PIK).

To avoid radically shifting the balance of benefits and costs of various producers and consumers and to avoid taking any potential political risks, policy makers often choose to maintain traditional programs with the knowledge of the changed and changing situation. This policy legacy is probably best shown in the decision made by the USDA to adopt the PIK. The PIK is a massive production reduction program, which was in place in the 1930s and the 1960s but failed in both decades to solve the persistent farm surplus problems. When the farm economy had relied primarily on domestic markets for its incomes, a program to provide generous incentives for farmers to take their cropland out of production made some sense, even though it had never worked. With a highly integrated world agricultural economy and approximately fifty percent of its basic grains and cotton for export,[116] reducing cropland unilaterally would seem to be a sign to "encourage foreign producers and competitors to enlarge their production to take up what they may perceive to be a slack in our production, and claim markets that have traditionally been U.S. markets."[117]

Moreover, USDA officials had realized that "the long-range solution is not cutting

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[116] Butz, "Historical Perspective," p.595.

[117] statement of Senator Thad Cochran (R-MS) in **Agricultural Act of 1982**, hearings before the Subcommittee on Agricultural Production, Marketing and Stabilization of Prices of the Senate Committee on Agriculture, Nutrition, and Forestry, 97th Cong., 2nd. Sess., December 9, 1982, p.14.

production; the long-range solution has to be strengthening demand."[118] It was also worried that the cost of the program could be too high for the federal government to justify at a time when other domestic programs were being cut. Finally, there was a concern that the PIK posted frightening prospects to agriculture-related businesses. Having realized the potential damaging effects of the program on its budget reform, national economy and trade and the contradiction to its ideological orientation -- free market and deregulation -- the Reagan administration adopted a traditional production control program of a magnitude that no administration had ever tried.[119] Then, the question remains, why was this the case?

Politically, politicians were "terrified by the price-depressing effect" of huge stocks and were under great pressure to balance the anxiety of increasing farm prices with controlling budget spending. Yet, the political pressure was not by itself sufficient to justify the adoption of a program born 50 years ago. The most important factor is the established agricultural institution, which generated expectations and momentum of itself. "Farm programs are entitlements with a strange characteristic -- one reminiscent of something out of Escher painting: They have an effect on themselves."[120] Since controlling production was under their discretionary authority, USDA officials believed that the available "tools" would work if made more flexible. They had argued that the problem was not a lack of policy instruments but one of using the wrong tools for the wrong purpose and that throwing out the old ideas and starting over would be too risky politically for them and economically for producers.[121] Moreover, farmers were used to the program and

[118] John Black, **Toward the Next Generation of Farm Policy**, hearings before the Joint Economic Committee, 98th Cong., 1st Sess., May 1983, p.8.

[119]

	Area Harvested			Production		
	1982	1983	reduced	1982	1983	reduced
	million acres		%	million bushels		%
Wheat	77.9	61.4	21.2	2,765	2,420	12.5
Corn	72.8	51.5	29.2	8,235	4,175	49.3
Sorghum	14.1	10.0	29.3	835	488	41.6
Rice	3.3	2.2	33.5	154cwt	100cwt	35.1

(USDA, **Agricultural Statistics, 1987**, p.1,30,50,19).

[120] Jonathan Rauch, "Writing a Blank Check," National Journal, 1985, p.627.

[121] **Payment-in-Kind Program.**

they expected the government to stem the huge outflows of money when things went sour. "Farm subsidies... have become a way of life," as described by some farmers.[122] The potency of the traditional farm price support programs was further demonstrated by the frustration of policy makers: "We find ourselves in a stalemate," said Kika de la Garza, "knowing something is wrong and not able to correct it."[123] Finally, it may be seen as part of human nature to look to the past for clues on how to deal with the present and future. Therefore, reducing supply was a more familiar and more politically acceptable way to enhance farm income than making any substantial changes on the traditional farm price support programs to meet the challenges of the world economy.

4. Internationalization of Agriculture

Internationalization of agriculture gave the Reagan administration another justification to continue and expand federal price support policies. A decade earlier, farmers had worried little about staying competitive with other nations. They had obtained only a fraction of their income from foreign sales, and a large component of export earnings was through Food for Peace. Between 1971 and 1980 the value of world agricultural trade increased by an astounding 451 percent and the value of U.S. exports of agricultural goods increased by 564 percent, from $7.3 billion in 1970 to $41.2 billion in 1980. In 1981 alone the U.S. sold $43.3 billion worth of its farm products abroad and registered a $26.6 billion agricultural trade surplus, making agriculture the brightest spot in the U.S. balance of payments.[124]

International competition in agricultural trade became more vigorous in the 1980s for several reasons. After watching the U.S. capture more than 70 percent of the world market in the 1970s, other export countries geared up production. Meanwhile, thanks to its Common Agricultural Policy (CAP), the European Community (EC) had turned from a major importer of

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[122] Jim Bettner, "The Corn is Back," Forbes, September 19, 1984, p.66.

[123] **Review Alternatives to Administration Proposals Relating to Agricultural Programs**, hearing before House Agriculture Committee, 98th Cong., 1st Sess., October 19, 1983, p.1.

[124] In 1980, wheat export accounted for 64% of its production, feed grains export accounted 36%, rice 63%, soybeans 56%, and cotton 53% of its production. The net trade surplus for agriculture was $26.6 billion in 1981, while nonagricultural trade had a $52 billion deficit. (Miyasaka and Pendlum, **Desk Reference Guide to U.S. Agricultural Trade**, p.30, p.28) As farmers came to rely more on export markets to supplement domestic demand, they became more sensitive to fluctuations in international production, trade and monetary situation.

U.S. agricultural products to a competitor with not only domestic price support programs similar to the ones in the U.S. but also export-subsidy programs. Several embargoes imposed by the Nixon and Ford administrations turned some of American traditional buyers to other sources. At the beginning of the 1980s, the world-wide recession, high inflation, rising unemployment and disgruntled voters encouraged governments in the developed countries to press for greater farm support, import restrictions and export subsidies. The debt-laden developing countries cut their imports in order to service their debts and meanwhile found it more difficult to obtain credits needed for purchasing necessary agricultural products. The world recession and the debt crisis hit some traditional U.S. buyers most, such as Brazil, Mexico and Poland. The strength of the dollar made things even worse. In 1982, U.S. agriculture for the first time in thirteen years experienced an export decline both in volume and in value. In one year, the value of U.S. agricultural exports fell 15 percent from $43.3 billion in 1981 to $36.6 billion in 1982.[125]

In such a situation, the Reagan administration adopted several measures to strengthen the position of American farmers on the world market, which showed a clear departure from its ideological orientation. While adopting "hard" and "tough" policies towards the Soviet Union, for example, the Reagan administration lifted the grain embargo imposed by the Carter administration for the Soviet invasion of Afghanistan, at the request of the USDA but with opposition of the State Department and the National Security Council. The decision to lift the embargo was made at a time when the U.S. held sanctions to delay construction of the gas pipeline that would deliver Soviet gas to the Western Europe. The decision was justified for taking over the market which had been taken over by other exporters.[126]

Having realized that the U.S.'s unilateral production restraints under the PIK program did not solve the problem of price decline but resulted in a further shrinkage of its share of the

[125] Miyasaka and Pendlum, **Desk Reference Guide to U.S. Agricultural Trade**, p.33.

[126] The USDA statistics showed that grain production in the Soviet Union had dropped greatly from 1980 on. Its wheat production, for example, in the production year 1981/82 dropped 17% from 98 mmt in 1980/81 to 81 mmt in 1981/82, and 33% from 121 mmt in 1979/81. The decreased production meant increased imports. The Soviets imported 5 mmt of wheat in 1978/79, 12 mmt in 1979/80, and 20 mmt in 1981/82. When the Soviets wanted more grains to make up its reduced production and the world was awash in wheat, the United States pulled itself out of the market. (USDA, Wheat Yearbook, 1980, p.60) The U.S. share at the Soviet market dropped from its peak of 75% in the middle of the 1970s to less than 20% in the early 1980s. In the case of wheat, it dropped from 70% to less than 10%. Special terms offered to the Soviet Union by other exporters was another reason for the loss of American market share there.

world market,[127] the Reagan administration took several aggressive export actions against the EC and its "predatory" CAP, which was encouraged and supported by the U.S. when it was established. "One of the most effective tools we've used to build foreign purchases is the government-industry sales team," explained an USDA official.[128] The USDA sent six market development teams to eleven countries to promote its sales. Meanwhile, eager to get rid of its huge stocks and reduce government spending on farm price supports and storage, in 1982 the USDA initiated the blended credit programs with the consent of the President and support from Congress.[129]

With the blended credit programs, the U.S. sold 2 mmt of wheat worth $140 million to Morocco, a traditional French market, sold corn, rice, soybean and lumber to Jamaica, and took over 100 percent of the market for wheat and rice in the Yemen Arab Republic. The USDA also used the program to penetrate the new and growing markets in the Philippines and Yugoslavia for soybean meal and cotton. At the beginning of 1983, it negotiated a supply agreement with Mexico which provided $1 billion credit guarantees to facilitate sales of 6.2 mmt of U.S. corn, sorghum, soybeans and other commodities.

The most provocative "targeting" action against the EC was its sale of wheat flour to Egypt. The Egyptian market (which is as close to the EC as Central America is to the United States) was dominated by the EC. To demonstrate its determination on serious competition in the world trade, to draw the EC's attention to the issue of the export subsidies and "to regain lost markets due to export subsidization of other nations,"[130] the USDA made a special agreement with the Egyptian government to sell the latter 1 mmt of wheat flour at a subsidized price. "The package includes credit guarantee ... along with competitive price to be made possible through awarding of CCC-owned wheat to American millers who bid successfully for the business."[131]

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[127] Studies have shown that under the PIK program, the U.S. unilaterally idled 77 million acres of farmland. Foreign competitors responded by increasing their planted acreage by 63 million acres, nearly offsetting the entire U.S. cutback. While total U.S. wheat and feed grains production fell 38 percent under the PIK programs in 1983, the production of major export competitors increased 11 percent.

[128] Remarks prepared for delivery by Under Secretary of Agriculture Seeley G. Lodwick before the American Farm Bureau Federation, Bloomingdale, Illinois, July 15, 1982, in Major News Release and Speeches of the USDA, July 9-16, 1982, p.9.

[129] John Black, **Review of Agricultural Trade Issue**, joint hearings before Committee on Agriculture and Committee on Foreign Affairs, U.S. House of Representatives, 98th Cong., 1st Sess., April 7, 1983.

[130] Lesher, "Farm Policy Update and Perspective," p.619.

[131] Block, **Review of Agricultural Trade Issue**, p.7.

All in all the deal involved 50 million bushels of wheat and was worth about $150 million. The deal had been made within the authority of the CCC and designed as a one-shot deal. Yet, the USDA insisted that it maintain the option of making similar deals in the future.

It is widely recognized that the U.S. "deep and abiding commitment to the principles of a liberal international economic order has shaped [its] commercial policies."[132] It is equally widely recognized that agricultural protectionism had been in effect at least since the 1930s to accomplish domestic farm policy objectives -- to stabilize and support farm price and farm income over time. Five decades later, these objectives remained intact and when farm prices and incomes decreased as a result of the competition from other exporters, the government took an active role in protecting its farmers and this industry. This was justified by the spokesman of the agricultural community. "Free market ends at our borders," claimed Secretary Bergland. "In the world market, we are dealing with governments -- not farmers or private grain companies."[133] This can also be explained as the policy legacy which would protect political and economy power conferred by previous policies.

Conclusion

Half a century after the first agricultural adjustment act was enacted, agricultural policies remained essentially the same. A changed macroeconomic and international situation only gave the federal government an additional justification to help farmers overcome the economic predicaments that resulted from factors over which they did not have much control. If this seems like a strange argument, it can only be explained by the vigorous capacity of an established economic institution which has its institutional legitimacy, organizational arrangements and whole sets of formal and informal rules operating in favour of the farmer and the USDA in the face of increasing demand for change.

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[132] Katzenstein, **Between Power and Plenty**, p.298.

[133] "Washington Report: An Interview with Secretary Bergland," Successful Farming, v.75, February 1977, p.6.

CHAPTER NINE
CONCLUSION

This study has aimed at explaining government involvement in agricultural production and marketing in a half-century period (1933 to 1985) by employing an historical institutional approach. Three sets of factors have affected agricultural policies and agricultural development: an imbalance between supply and demand, policy goals, and organizational arrangements. The study has found that the policy-making process has to be seen as a segment of a long history of agricultural development because each successive piece of major legislation was built on the legislation that preceded it, modified to reflect the changing times and circumstances and, most importantly, with the basic goals and methods of government intervention remaining intact. Without a full examination of the historical development of policy and programs, it is difficult to understand the current policies. The emphasis of this study has been placed on understanding why and how agricultural policy has evolved as it has. This must be contrasted with most research done by agricultural economists on the same topic who have either assessed its economic consequences or evaluated the costs and benefits associated with it. The conviction of this study at the outset was that much could be gained from a better understanding of why and how the agricultural support programs evolved as they did. The study has been done with the help of tools inspired by economic theories. It stresses the importance of economic institutions and institutionalized relationships between policy makers, takers and challengers in the process of policy formulation and implementation. Agricultural policies are economic policies which define the ground rules governing farmers in their production and marketing and around which have grown formal and informal rules regulating the relationships among the actors involved.

First and foremost, agricultural policies have been affected by powerful economic forces. There is a great deal of evidence that the farm problem has been primarily due to economic growth and technological change. Mechanization, improved seeds, and the development of new pesticides and herbicides have increased supply through dramatic increases in agricultural productivity. The demand for farm products, however, has remained inelastic. Farmers must bear most of these adjustment costs, unlike industrial producers who can adjust by reducing output. In the government support programs, a great deal of effort has been devoted to raising prices of farm products as a means of increasing farm incomes, on which there has been chronic downward pressure because of the agricultural technological revolutions. The efforts to balance the propensity to over-production and price-inelastic demand are important considerations in any historical explanation of "farm problems." These efforts have been supported by another widely-circulated idea that farmers have been dispersed and weak while the rest of the economy has been either monopolized, or has had the ability to "administer" prices without regard to demand conditions. The New Deal measures instituted to restrict competition by forming government-organized producer cartels were based on the idea that farmers were at a disadvantage in terms of bargaining power within the agricultural sector, both in buying inputs and in selling farm products. The argument of lack of market power and bargaining power by farmers, who have suffered a constant "cost-price squeeze," has been used to justify the government support programs over time. Finally, as U.S. agriculture has become more internationalized and integrated with the national economy since the 1970s, farmers' ability to adjust their production to domestic and international demand has been much reduced as the domestic macroeconomic and international factors which directly affect their prices and incomes lie beyond their control. In order to understand the development of agricultural policies it is necessary to consider how policy makers, professionals, farmers and the public have interpreted the farm problem and farmers' ability to cope with it. A common diagnosis of the problem that farmers have had excessive productive capacity and have committed too much to crop production has led to similar prescriptions for agricultural production and marketing and thus a consistent set of policies over the decades, despite all the changes that have taken place in farming and in the domestic and international political and economic situation.

A second factor which has greatly affected agricultural policies is the goals pursued by government since the 1930s. The modern agricultural institutions were established with the enactment of the Agricultural Adjustment Act of 1933, which set parity prices and income as a goal and acreage controls (initially in the form of acreage allotments) as a tool. A host of support programs involving price supports, credit subsidies, export subsidies, subsidized food distribution, crop insurance and conservation was launched to deal with the great depression when farmers were numerous and farms relatively small in size and were unable to cope with the price collapse as a result of the decline in post-war demand. New Deal reforms were not intended to change the capitalistic free-market. They were in defense of security of property, of work and of income -- a reshuffling of the cards that had long been stacked against the working people, the farmer and others. Yet, the acceptance by the federal government of responsibility for maintaining economic life represented a radical break with tradition. By taking on the responsibility as a last-resort buyer who acquires stocks of basic commodities, the federal government assumed an unprecedented degree of responsibility for the functioning and welfare of agriculture on behalf of agricultural interests with which it has since closely cooperated in devising and administering programs of support, advice and control. A close and wide-ranging relationship has grown up in which the government has provided farmers with a high degree of support and protection, and farmers have accepted in return an unusual amount of supervision and regulation. Since these programs are the rules by which economic actors function and interrelate, they are properly defined as economic institutions. Since institutions themselves affect the allocation of resources, their change reorders benefits and costs, benefactors and beneficiaries, and the distribution of compensated and uncompensated effects of human endeavour. They have over time generated expectations of certain behaviour. Subsequent reform and changes of institutions can be difficult. The government support programs, for example, have conferred large special benefits on farmers which are not shared by other groups. These benefits can only be preserved if the programs are retained. Farm subsidies thus have created expectations and a dependency on government policy decisions. These expectations are one of the main driving forces for the continuation and expansion of the farm support programs. The goals and instruments set in the policy programs have longer lives than their creators because of the force of these expectations.

Moreover, the modern-day commodity programs incorporated the idea of an active role for government in economic affairs. The expectation that the government would bail out farmers and agriculture whenever they were in economic difficulties with similar policy instruments was the main reason for the continuation of the high price-support programs in the post-war period and the implementation of the Payment-in-Kind program in the 1980s. Finally, these programs were initiated to support the prices of a few basic commodities. Other interests, such as those of consumers, taxpayers, farm businesses and many unsupported commodity producers, were excluded. As the economic and political situation changed and when other sectors of the society realized the impact of farm programs on their interests (as they did when the Soil Bank program was enacted or in the 1970s when food prices went sky-high), they tried to challenge the legitimacy of the programs and demanded their interests be taken into consideration. They achieved little, partially because the existing law placed producers, especially those specialized in the several basic commodities, in a privileged position in defending their interests. In sum, as a constellation of rights and duties determining domains of choices for individual economic activities, the farm support programs have developed vested interests and expectations. Different expectations on government support programs led to conflicts of economic interests, which became one of the main engines of the policy process.

A third set of factors emphasized in this study is the organizational arrangements which facilitate the goals of policies and the market relationship defined in the farm programs. The consistent pursuit of any policies, whether they are domestic price supports or export subsidies, requires the enduring institutionalization of a complex set of political machinery. The modern agricultural institution governing political activity in policy making and policy implementation is characterized by the central role of the USDA, which is supported by its systematic cooperation with professionals and its direct ties with farmers in a widely-divided farm community. This arrangement has been supported by a deep reservoir of goodwill in the general public for food producers, who, as many see it, nurture what is best in American culture, and a willingness to give farmers special treatment. While this support may be based on some misconceptions about the actual structure of farming, commodity programs and the distribution of farm programs, stable food supplies and relatively low food prices have not motivated the public in support of agricultural reform. Instead the entrenched agrarian ethos has been the main reason for the public sympathy to farmers and their support for farm programs.

Since the 1930s, the USDA has taken the lead in initiating policy alternatives and has been granted more and more discretionary authority in terms of policy implementation. The tradition established in the 1933 Farm Act, in which the legislation set the general goals for national agricultural policy and left most of the details to be settled by administrative actions, has continued and ensured the USDA far-reaching control over agricultural production through its various agencies and field workers. The discretionary power is reflected in the Secretary's control in setting target prices and loan rates, for example, in deciding the minimum acreage to be idled for a particular year, in determining when the CCC could sell its holdings to stabilize the market price, and in using his authority to create or dissolve a farm consultation commission. Moreover, since the day it was created, the USDA has been expected to be the "farmers' department," to defend the farmers' interests and promote their welfare, leaving other government agencies to argue any counter-position. Thus, the defence of farmers' interests and income has traditionally represented a cornerstone confirmed by USDA policies and practices, which have made it difficult for other agencies and sectors of the society to challenge the privileged position of farmers in public policies.

The USDA has gained and enhanced its power over this policy area because of the systematic coordination between its political appointees and professionals in the USDA and in the land-grant colleges. Academic professionals have been especially influential in agricultural policy making because many policy officials are former academics and many former policy officials are currently academics. Many have assumed political positions several times in their academic lives. The Secretary of Agriculture often speaks with the voice of his professional experts. When the political professionals are able to reconcile commodity and regional interests, their voices exercise greater influence because they are seen as more objective and as defending a common national position than those of politicians who are seen as self-interested promoters. In a similar way, the professional view often can protect a policy area from being debated from an ideological point of view and therefore protect a policy area from being challenged by outsiders. In sum, over time these academics and their ideas and writings in this field have set the tenor of policies and policy debates and the shared values of these policy advisors qua academic about farming and farmers, similar educational and working experience and expertise have been built into the policy making process.

The leadership of the USDA in agriculture has also been enhanced by its direct relationship with farmers. When the New Deal farm programs were established, the USDA intentionally built a direct channel through which its field workers could reach farmers directly for the purpose of policy implementation. This relationship allowed later USDA officials to build a close coalition with farmers in defending their preferred programs in opposition to farm organizations and other sectors of the society which became interested in the field. As U.S. agriculture became more internationalized and more affected by the national macroeconomic policies, the authority of the USDA was not reduced but increased because of its position as a defender of farm interests and an advocator of national interests. This is the main reason that we have found that even in the 1970s, when farm prices and income reached a record-level, the programs were maintained.

Meanwhile, the USDA has also been operating in an institutional context. Its behaviour has been restrained by the rules of the game governing farm politics. The conflicts over ideological positions, for example, can be detrimental to its capacity in policy formation, as was evident under Secretaries Brannan and Benson. Recognition of the USDA's centrality in agricultural policy making and implementation is not a question of its being able to pursue correct policies or of being successful in achieving a particular piece of a policy proposal. Sometimes, USDA officials can differ greatly over what the correct policies are, what specific policies measures to adopt or to what degree and in what form the government should intervene in agricultural production and marketing.

The study has recognized the role played by farm organizations in policy making and implementation but has rejected the argument that farm organizations have captured the USDA in pursuing their interests. It has drawn attention to the relationship between the USDA and farm organizations and its role in promoting farm coalitions in various situations. Policies have not, however, resulted from the activities of pressure groups. Instead they are caused by many factors. Very often farm organizations would not have been able to achieve their preferred policies if they had not been placed in a particular position by the USDA. The study has found that farm organizations have not been able to form permanent coalitions with other societal groups; often they have been divided among themselves as a result of different commodity or regional interests. Without such political coalitions, farm organizations have depended upon the USDA to protect and promote their interests. Such a dependence has grown as policy issues have become more complicated and Congress has become more urbanized. Furthermore, farm interest groups are more interested in their short run price-income position than broader policy issues or the general economic situation, which may assure their survival. Their apprehension about the uncertainties of different policy alternatives to deal with broader policy issues was one of the reasons for them to demand the continuation of the existing farm programs. This also allowed the professional views on different policy options provided by the USDA to play a greater role in deciding policy directions. Professional views were often seen to ensure the depoliticization of a policy making process and better to protect the privileged positions of farmers. The farm organizations have also operated within an institutional context in which political development and economic shocks have had a strong influence on how they have perceived their interests and how they have prioritized their interests. They showed their unity when they perceived their privileged positions were being challenged by other sectors of the society or when they were unable to cope with the economic difficulties, as they did in the 1930s and 1970s. Finally, their participation in the process of policy making and implementation has often been restricted by the rules established by the USDA, as it was in the case of the National Agricultural Advisory Commission in the 1950s and 1960s.

Farm interests were over-represented in Congress up to the beginning of the 1960s when the Supreme Court announced the one-person-one-vote rule. Yet, the ability of the congressional agriculture committees to formulate policies was not as unlimited as many studies have argued. Since the 1930s, the Congress has delegated almost entire policy formulation authority to the USDA and has reserved the right of review only. With Congress not initiating policy alternatives, the politics there has been greatly affected by the policy proposals presented by the USDA. Also, without having control over information collection and analysis, Congress has often found that it was beyond its ability to come up with alternative policy proposals to replace those proposed by the USDA. Again, the study has recognized the role played by the agriculture committees and agriculture appropriation subcommittees in agricultural policy making. It has shown that congressional politics has been much affected by politics within the USDA and the reliance of the committees upon the USDA to provide information and to speak for them in the executive branch when issues concern the national welfare has rendered greater power to the USDA in pursuing its favoured policies. Another trend of farm politics in Congress has been the relatively close cooperation between the Secretary of Agriculture and agriculture committee chairmen. This relationship has allowed farm policies to remain insulated from more general political considerations and enabled the Secretary to protect the interests of farmers and the agricultural industry.

These and other informal rules and patterns of practices in agricultural policy making and implementation form the institutional structure determining the choice of environment within which individuals and groups have made their daily decisions, regarding their behaviour. Since institutional arrangements define the sanctions and incentives, they transmit signals among actors involved and make exchange relationship less uncertain.

The study has shown that the historical institutional approach better explains the persistence of policy programs than alternative approaches. Examining the historical development, we have found that the changes that occurred to agricultural policies over the period studied were more a matter of degree than substance. To understand this, the institutional approach developed by economists who focus their research attention on the origins and structure of economic and political institutions provides a powerful explanatory model. Markets are institutionally structured systems, supported by ideas regarding property, norms governing fair exchange and other belief systems. The perceptions of problems of individuals and groups and their capacities to achieve their preferred policy goals and the individual and collective economic and political activities are all institutionally defined and constrained. The issues of authority, control, cooperation, compliance and constrains have been the foci of their research. This approach allows us to explain the difficulty of introducing fundamental policy reforms in the face of national and international political and economic changes. It also addresses the issue of transaction costs. Actors, individual or collective, are not fully rational in the sense that they operate and interrelate in an institutional context and their ability to achieve what they prefer has a lot to do with their ability to collect information, conduct negotiations with other affected actors, and to enforce the term of the negotiations. High transaction costs in pursuing agricultural reform have resulted from the complexity of policy issues, the near monopoly of information collection and analysis, the limited membership involved in agricultural policy making and the general public support for the existing policy programs.

The salient institutional structures composed of a specific set of shared values developed out of interactions, a complicated set of policy programs and an established organizational arrangement, have protected the interests of farmers and the agricultural industry and will likely continue to do so for some time in the future. U.S. agriculture is resting in a comfortable position despite changes taking place in the domestic and international, political and economic environments. As the effects of macroeconomic, farm, food and trade policies are superimposed, the USDA, congressional agriculture committees, farmers, farm organizations and the industry as a whole have found themselves in a unique position in defending their legislative gains. The necessary and hard political choices of budget control and deficit reduction have exerted a major influence on the debate over and formulation of agricultural policies. In fact, budgetary considerations since 1985 have forced yearly debates on farm programs to design and adopt provisions that would limit planned spending to the Gramm-Rudman-Hollings guidelines established in 1987 and to make mid-course corrections in policy. This process has subjected farm support programs to broader political considerations, over which neither the USDA nor the agriculture committees have sole control. The efforts of capping the spending on farm support programs, however, have been diluted by the efforts to promote agricultural exports. Even though the U.S. stands to gain some market share under agricultural trade liberalization, its government has been willing to subsidize and increase its subsidies to its farmers to offset its competitors. As agricultural trade has been the contributor to the net trade surplus at a time when the U.S. has been running a high trade deficit, it will not be surprising to see the same support programs continue for some time. Moreover, opposition by Congress and the executive branch to what is called "unilateral disarmament" on farm subsidies can well be used by the USDA to promote and expand government support to farmers and the agricultural industry. The combination of a federal budget deficit, heightened public awareness of and concern about deteriorating environmental quality, and the on-going international trade negotiations may disturb the comfortable position in which U.S. agriculture is resting. Yet no fundamental reform of the established economic and political institution can be seen in the near future.

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APPENDICES

TABLE 1

YEAR	INDEX OF PRICES PAID BY FARMERS 1910-14=100	INDEX OF PRICES RECEIVED BY FARMERS 1910-14=100	RATIO OF PRICES RECEIVED TO PRICES PAID BY FARMERS	CASH RECEIPTS FROM FARMING million dollar	GOVERNMENT PAYMENT million dollar	TOTAL million dollar	INDEX OF FARM EMPLOYMENT 1910-14=100	TOTAL EMPLOYMENT 1,000 persons	INDEX OF FARM OF FARM EMPLOYMENT 1939=100	INDEX OF FARM WAGE RATE 1910-14=100
1929	160	148	92	11296		11296	94	11282		187
1930	151	125	83	9021		9021	93	11161		175
1931	130	87	67	6371		6371	93	11258		133
1932	112	65	58	4743		4743	94	11283		100
1933	109	70	64	5314	131	5445	94	11347		89
1934	120	90	75	6334	446	6780	94	11285		100
1935	124	109	88	7086	573	7659	97	11654		110
1936	124	114	92	8367	287	8654	97	11688		118
1937	131	122	93	8850	367	9217	97	11651		133
1938	124	97	78	7686	482	8168	97	11658		129
1939	122	95	77	7877	807	8684	97	11723		129
1940	124	100	81	8364	766	9130	97	11671	99	131
1941	132	123	93	11181	586	11767	95	11419	97	160
1942	151	158	105	15372	697	16069	95	11458	97	208
1943	170	192	113	19434	672	20106	94	11329	96	274
1944	182	196	108	20360	804	21164	92	11055	94	328
1945	189	206	109	21520	769	22289	90	10813	92	366
1946	207	234	113	24864	772	25636	92	11092	94	399
1947	239	275	115	30014	314	30328	93	11166	95	424
1948	259	285	110	30544	257	30801	92	11080	94	445

(USDA, **Agricultural Statistics, 1950**, Washington, D.C.: GPO, p.626, 628, 636, 584, 586)

TABLE 2

Indexes of Farm Output, Input, and Productivity, 1950-1969
(1967=100)

Year	Output	Input	Productivity	Year	Output	Input	Productivity
1950	74	104	71	1960	91	101	90
1951	76	107	71	1961	91	100	91
1952	79	107	74	1962	92	100	92
1953	79	106	75	1963	96	100	96
1954	80	105	76	1964	95	100	95
1955	82	105	78	1965	98	98	100
1956	82	103	80	1966	95	98	97
1957	81	101	80	1967	100	100	100
1958	87	100	87	1968	102	100	102
1959	88	102	87	1969	103	99	103

(USDA, Economics, Statistics, and Cooperative Service, Statistical Bulletin, No.628, **Changes in Farm Production and Efficiency, 1978**, January, 1980, Washingtonton, D.C., p.71.)

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TABLE 3

Carryover of Major Commodities: Wheat, Cotton and Corn Products, 1952-1969

Year	Wheat million bushel	Cotton million bales	Corn million bushel	Year	Wheat million bushel	Cotton million bale	Corn million bushel
1952	256	2,789	487	1961	1,411	7,228	2,008
1953	606	5,605	769	1962	1,304	7,850	1,650
1954	934	9,728	920	1963	1,200	11,100	1,360
1955	1,036	11,205	1,035	1964	900	12,400	1,540
1956	1,033	14,529	1,165	1965	920	14,200	1,150
1957	909	11,323	1,420	1966	660	17,000	840
1958	881	8,737	1,470	1967	510	12,300	820
1959	1,295	8,885	1,530	1968	630	6,600	1,170
1960	1,314	7,559	1,787	1969	900	6,500	1,120

(USDA, **Handbook of Agricultural Charts**, No.258, September, 1963, p.33; No.504, October 1976, p.26.)

TABLE 4

INDICATORS OF FEDERAL INTERVENTION IN AGRICULTURE								
Fiscal Year	Government outlays (1982=100)[a] ($ billion)	Government Inventory (1982=100) ($ billion)	Acreage Idled (Million of acres)		Fiscal Year	Government Outlays (1982=100)[a] ($ billion)	Government Inventory (1982=100) ($ billion)	Acreage Idled (million of acres)
1955	11.3	16.81	0.0		1973	7.1	0.9	19.1
1956	10.4	19.1	13.4		1974	1.8	0.2	2.0
1956	3.9	16.2	27.8		1975	0.9	0.7	0.0
1958	3.5	15.8	27.1		1976	1.6	1.0	0.0
1959	9.3	17.2	22.5		1977	5.8	1.4	0.0
1960	5.0	19.4	28.7		1978	7.7	1.4	18.2
1961	4.2	17.8	53.7		1979	4.5	1.4	13.0
1962	6.4	14.0	84.7		1980	3.1	3.1	0.0
1963	9.6	14.5	56.1		1981	4.2	3.9	0.0
1964	9.6	13.1	55.1		1982	11.5	5.1	12.5
1965	7.8	11.5	56.3		1983	18.1	9.8	76.9
1966	4.3	8.8	63.2		1984	6.7	6.8	27.4
1967	4.7	5.1	40.8		1985	15.9	6.2	30.8
1968	8.4	2.4	49.4		1986	22.6	9.7	48.3
1969	10.3	3.1	58.0		1987	19.0	9.9	76.0
1970	8.9	4.4	57.0		1988	10.2	4.6	77.5
1971	6.3	2.7	37.2		1989	10.6	2.9	61.7
1972	8.5	2.3	61.5					

[a] Government outlays in price support programs, principally for direct deficiency payments, acquisition of stocks, payments for voluntarily holding acreage idle, and storage subsidies.

(Bruce L. Gardner, "Changing Economic Perspectives on the Farm Problem," Journal of Economic Literature, v.30, 1992, p.86.)