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Goals and Values Underlying Programs of the Grange

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HISTORY makes it abundantly clear that a major goal of those who founded our American republic was to provide equitable opportunities for all American citizens. Throughout the history of this republic, powers of government have been used in efforts to provide such opportunities.

The first use of this power came with the Tariff Act of 1789, the first piece of legislation passed by the First United States Congress. While this was primarily a revenue measure, protection to industry then and there became basic national policy.

Since that time — through wage and hour laws, tax concessions and other protective devices including direct taxpayer subsidies — government income protection has been extended to every major sector of the U.S. economy. This protective structure has become the very foundation for our entire economic system. No one has even suggested the elimination of this total protective structure; to do so would invite economic disaster.

However, as Americans we have failed to recognize sufficiently the established and unavoidable economic fact that wages of labor and prices of industry established under this system automatically become the farmer's production cost and that therein lies the primary cause of our farm income problem.

GOAL OF GRANGE FARM PROGRAM

Thus, the primary goal of Grange farm program policy is the re-alignment of these established and fully accepted government-provided protective devices so as to supply equitable income

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opportunities to farmers. This re-alignment must include programs necessary to give agricultural producers an opportunity to earn and receive for their labor, management, risk and investment a return reasonably comparable to that provided for those same factors in their best nonfarm employments. Anything short of such opportunity is not in keeping with the principles upon which this republic was founded. It was never intended that Americans should be satisfied with national policy which denies to agricultural producers an opportunity to enjoy first-class citizenship — economically, socially and spiritually.

Thus, since the middle 1920's, in a decade when American agriculture was losing \$34 billion in equity, the Grange has been pleading with Americans in and out of agriculture to realize that the farm income problem would never be solved until the cause of the problem was recognized and taken into full account. From that time until now, it has become increasingly clear that the problem of just and equitable relationships and balance within our American economy (between agriculture and the remainder of the American economy) could best be solved by developing specific commodity programs taking full account of and indeed predicated on the total patterns of production, marketing and distribution and final end use of the various commodities.

ORIGIN OF GRANGE PHILOSOPHY

This philosophy was born out of two fundamental facts which unfortunately have not been understood by many of the people who have attempted to prescribe remedies for the farm income problem. As is the case in the relationship between the physician and his patient, an inaccurate diagnosis and comprehension of the real case which confronts the "doctor" has certainly lessened the prospect of a correct and effective prescription to treat the problem.

In post-World War I the agricultural problem of the United States originated in our major export crops. It was the destruction of patterns of production, utilization and marketing developed during the war on a world-wide basis that brought about the problem. This is why the original problem was manifested in wheat, cotton, pork and oil-bearing products — our major exports.

Belatedly, attempts to solve these original agricultural problems in a monopolistic manner were accepted by some as necessary adjustment programs. A continued reliance upon such adjustment programs down through the years — through World War II, through the Korean War and into the present — was certainly

not based on an accurate appraisal of the problem which has existed continuously since the close of World War I.

There has been failure also to understand that American agriculture is not completely independent — that on the contrary, American farmers and other Americans are increasingly interdependent, that one American's price or wage becomes another American's cost, both in and out of agriculture. Failure to understand this has been the reason for failure to make an accurate diagnosis of the American farm problem of nearly forty years standing.

It was tremendously important that Alexander Hamilton should win his debate with Thomas Jefferson in the very First Continental Congress of our great republic. The victory of Mr. Hamilton resulted in a protective system that generated a great industrial structure in the United States. But failure to understand that historical fact invites failure in diagnosing the farm problem with which we have been struggling for these same four decades.

NEW FACTS TO BE CONSIDERED

Now, however, in the 1960's we must take account of two additional major facts. First, governmental policy in the early 30's was based on the necessity of creating equitable purchasing power — equitable in terms of productive output and efficiency of American nonagricultural labor — so that American workers could become consumers of the products of their own labor.

Second, a fact of increasing importance to American farmers and the nation in recent years is the increasing need for free world nations to supplement and complement each other — the economic necessity for increasing the flow of goods between the nations of the Free World, the existence of an economic war between the Communist and non-Communist worlds.

Economically, morally and politically we are compelled to recognize the necessity of permitting our highly efficient American agricultural industry to have even greater impact in the world-wide civil war in which we, of necessity, are clearly engaged.

In the First Continental Congress of our infant republic, Alexander Hamilton referred to the forces of "destructive competition" faced by our young manufacturing industry. Mr. Hamilton sought to stimulate this industry in order that we might develop an industrial and manufacturing potential in the United States. He pointed out that such a manufacturing industry must

be developed in a country dedicated to enhancement of opportunity for great masses of individuals, a country in which, therefore, living standards would be substantially higher than those in many countries where established industries could inflict destructive competition on American manufacturing. In the decade of the 1960's we must strike a much more intelligent balance than we have in the past three of four decades between giving equitable protection to American agricultural investment and American agricultural labor on the one hand and having the products of our highly efficient agriculture flow into the markets of the world on a reasonable and equitable basis.

"BASE-SURPLUS" PRICING

These necessities and these facts have given rise to the development of the so-called "Base-Surplus" pricing philosophy long supported by the Grange. It is out of these circumstances and this philosophy that the Grange, over the past several years, has developed a sound "parity of income" concept as contrasted to the long prevalent parity of price concept. To be sure, income and price are interrelated. But it does not necessarily follow that price alone determines income.

The Constitution of the United States provides that the Congress shall regulate commerce. Regulation of marketing, therefore, becomes a device available to American farmers only by authority of, or with the consent, of Congress. It is out of this fact that the features of the Agricultural Marketing Act of 1937 were developed. It is under this philosophy that marketing orders and agreements have been put into operation. It was likewise under this philosophy that the wheat certificate program was developed.

The Grange long has supported the principle of using wheat certificates as a means of regulating marketings according to end-use and of improving the prospect of realizing a parity of income for American wheat growers.

The soundness of the parity-of-income objective cannot be questioned. Our wheat farmers and other farmers are entitled to receive a return for their labor, management, risk and investment in reasonable relation to the returns claimed by those factors in other segments of our economy. Nor can the appropriateness of the wheat certificate concept as a useful tool in achieving parity of income be denied. It is based upon the sound premise that at least in the primary domestic market the American wheat producer has every moral as well as economic right

to receive an American price for that portion of the U.S. wheat crop which goes into domestic consumption for human food.

There are, to be sure, some complications in the wheat certificate program. These complications would not have arisen had we been able to put such a program in operation a few years ago, as indeed the Grange tried to do. These complications are made necessary now because of the increased surplus, not alone of wheat but of all feed grains. This surplus has resulted from prolonged adherence to a program which did not recognize the basic factors that generated the problem.

It is not my purpose to discuss the details nor the merits of the Grange wheat program. Nor should the necessity of its having to be modified from its basic form by reason of the fact that we are approximately ten years late in getting it submitted to wheat growers for referendum determination be the subject of our detailed discussion. It is of tremendous importance, however, that American farmers and citizens of this entire nation clearly understand the real factors — economic, political, nutritional and international relations-wise — that confront all of us in the decade of the 1960's, at home as well as in the remainder of the Free World.

POLICY ERRORS OF PAST

It has seemingly been all too easy during the past three or four decades for some people to fall into the error of attempting to shape agricultural legislation by pledging blind allegiance to some seemingly sound single principle which would be clearly perceived to be invalid were all pertinent factors clearly apparent and weighed carefully.

Differences in legislative approaches to the low-income problem and the imbalance between agricultural income and agricultural costs and, indeed, the high governmental cost of many programs which have been operative in the past several years have stemmed in large part from differences in appreciation of the various factors which should have been considered before attempting to prescribe the remedy.

For example, we must recognize that there are differentials in values according to end-use of many agricultural commodities, differences in the value of fluid milk in the bottle and of milk which goes into manufactured dairy products, differences in the value of choice citrus fruit and of surplus citrus products which can go into frozen concentrate or even into feed pulp, differences between the value of high quality wheat for human food and wheat

which goes into feed grain use or international commerce. Unless we recognize such differentials there are bound to be fundamental differences with respect to the acceptability of legislation proposing that there be "quotas" of any sort, even quotas for determination of the quality of milk, citrus products, wheat or any other agricultural product which would be eligible for a base price.

In my judgment these factors have retarded America by contributing to an imbalance between agricultural return and return on nonagricultural labor and nonagricultural investment. Inequitable income and inequitable purchasing power in the hands of American farmers and other producers of new wealth have contributed to an underemployment situation which has plagued America for many years. Thus the economic growth of our nation as a whole has been retarded to the point that the United States is the only major industrial complex in all the world that has had continuing and chronic unemployment, even though unemployment has been at a relatively low level.

PROTECTION OF NONFARM ECONOMY

We must not lose sight of the fact that the low-income problem of American agriculture will not be solved by the simple elimination of unsound farm programs. Neither will it be solved by the simple elimination of increasing numbers of American farmers. This is true because such programs as we have had are not the sole cause or even the primary cause of our low-income farm problem. Instead, the problem is, to a very great extent, a result of a comprehensive and extensive structure of governmental programs designed to protect the income of those in nonagricultural segments of the American economy.

Somehow we simply must find a way to get our fellow Americans to understand that wages and prices established under this protective system — protective for our industrial pricing structure and protective for American wage levels — automatically become farmers' production costs as well as living costs. Herein lies the primary source of our farm income problem, affecting wheat farmers, dairy farmers, feed-grain and livestock producers alike.

World Wars I and II generated imbalances between nutritional needs and supplies of wheat and other bread grains — also imbalances with respect to other raw materials and new wealth in the world. These imbalances also generated protective devices including restraints upon trade which influenced U.S. farm

income very substantially. But most important, to fail to understand this is to invite further difficulties for ourselves, for lack of understanding of these fundamental facts has given rise to many of the differences of opinion within American agriculture that have retarded our progress toward objectives and goals completely compatible with our own national well-being and in the best interest of the cause of our American type of freedom.

NEED TO REDUCE TRADE BARRIERS

The necessity for reducing barriers to trade is now universally recognized by the free nations of the world, as witness the General Agreement on Tariffs and Trade (GATT), the European Economic Community (Common Market) and our own long-standing Reciprocal Trade Agreements program, which has just received new impetus from the enactment of the Trade Expansion Act of 1962. Farm people, along with other Americans, recognize the necessity for reducing barriers to trade and have given their support to the instruments which have been developed to this end.

At the same time, however, we must do everything in our power to see that Americans in other walks of life understand that the right of farmers to have levels of protection from the influence of the full, free international market — levels that are comparable to the levels of protection afforded to nonagricultural labor and nonagricultural investment — is not incompatible with the long-time objective to which we are dedicated. That objective is to progressively reduce barriers to the flow of goods and services among the free nations of the world. For example, it is in this light that the propriety and reasonableness of the wheat certificate program as an instrument to achieve such levels of protection to the American wheat producer in terms of a soundly balanced American economy should be presented and evaluated.

We must modify agricultural legislation as necessary to permit farm people effectively to regulate their own marketings so as to continue to give Americans the greatest bargain in history in the necessities of life, in the products of agriculture. At the same time, we must recognize even more than heretofore the necessity of making our highly efficient agriculture an even greater asset in the world-wide civil war. Willingly or unwillingly, we are in it — and it will determine the sort of economic, political, social and cultural structure under which we and citizens of the world, including our children, will live and operate in the years to come.