

munities, a County Health Board and either a municipal or a Joint School Board. While the maximum number which must be organized is four, only three have direct tax raising power—the municipality, the village and the school section.

### The Future

It is evident that institutionally at least the local government structure of Nova Scotia is highly organized. Whether it is efficiently organized is another and more important matter. The very recent development of the larger school unit and the County Health Board would seem to indicate that it is not, for these organizations are designed to integrate local areas for a more effective imple-

mentation of their respective services. Without enlarging upon this topic, it is clear that the present local government structure is not in keeping with modern economic and social trends. It is likely that an integration and consolidation both of services and areas, as well as a transfer of certain functions to the central government, will be required before local governments can assume their proper, vital responsibility in any general or local program of post-war reconstruction. The process of change will not be easy: it is notoriously difficult to uproot or even modify things existent. Yet, in the clear recognition that the welfare of this and succeeding generations is paramount to that of past generations, however glorious, a change will come.

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## Issues In American Farm Policy

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**T**HE overruling present and prospective issue in American agricultural policy is an instance of the perennial conflict between the course of expedient maneuver and of enduring social construction. This antithesis has not been a matter of public debate, in part because it has been screened by an impressive network of hurried legislative and administrative activities to render assistance to agriculture. To-day, the strategic elements and directing forces in farm policy are coming into focus under the glare of the inordinate conditions of warfare. Tomorrow, the die will be cast, and the farm policy decisions then made, will help to forge the mold for the world of the future in a degree that can hardly be underestimated.

In national agricultural policy, there is quite often a decided difference between that which is good for agriculture (meaning what makes for a continuing, sound rural economy), and that which is profitable for those who at any moment have

a direct financial interest in going farms. This divergence derives, not simply from the possible effects of farm-aid programs themselves, but more fundamentally from the very nature of agriculture in a pecuniary society. Where, as in the United States, the ownership of farms is transferred about once in every fifteen years, where the operatorship of farms changes even more frequently, and where only a fraction of the financial control over farm capital is in the hands of working farmers, there is an unusually wide gap between the direct interests of farmers and farm investors in transitory conditions and the social interest in a stable and healthy agricultural economy.

Over the years, the United States has developed an extensive system of public programs for its agriculture. The greatest expansion of these aids has taken place during the last ten years and on such a scale that one can say that in no comparable period have the legislative and executive branches of the federal government been more generous in their treatment of the farmers of the country.

Among these farm programs, one may find activities designed to serve each of the broad aims which have long been included in statements of sound agricultural policy: conservation of resources, efficient production and marketing, improvement of rural living standards, and protection against disaster.

But a more immediate and yet more pervasive goal of agricultural policy has been to improve the financial status of those engaged in farming at the time. Realistically, major attention always tends to center on those measures which most directly relate to this financial objective; and other programs are accepted only if they are not in conflict with it.

Under the recommendations of both professional and lay leadership, the financial objectives of American farm policy have been set, for many years now, in terms of the prices of farm products. Since 1933, these aims have been specifically embodied in agricultural legislation in the concept of parity prices. The parity ideal is that agricultural prices should bear a relation to the prices of things farmers buy that is equal to the relation which existed in the years 1910 to 1914—a period when farm prices were favorable relative to prices of non-farm commodities.

When, in 1933, the parity price goal was first established in law, the general level of farm prices was about 60 per cent of parity. To-day, it is more than 110 per cent of parity. If the parity price standard is taken at face value, American agriculture is in robust health. From a short-run financial standpoint this judgment cannot be disputed. From the viewpoint of national polity, however, no informed person can take comfort in such an appraisal for the achievement gives as much cause for concern as for elation, as we shall see.

It should first be observed that the use of the parity formula might have been justified at first as a wide gauge by which the legislature could check the progress of certain administrative agencies. For this reason, indeed, as government moves

further into the realm of social control some quantitative guides will be necessary instruments in legislative-executive relations. But the parity price concept has been taken much more seriously than this; it has come to serve, not simply as a yardstick, but as an end in itself and as an end that is now swathed in the robes of ethical justice and right.

The attainment of super-parity farm prices is due more to the general revival of business and the extraordinary demands of warfare than to the success of the price-lifting measures which have been enacted with increasing specificity, yet these price-support programs are still in effect. They include direct governmental payments to producers—payments, by the way, which are heaviest to those who stand in least need of additional income. They include non-recourse government loans on crops at guaranteed prices and direct government purchases of products on the market to support prices. These programs have “worked” successfully over a period when agricultural prices have, for other reasons, been rising. If used to maintain or to raise farm prices when the general price trend is downward, however, they might easily lead to chaos, as indeed happened under the Hoover administration in 1930 and 1931. Nonetheless, since these measures have been associated in time with the attainment of parity prices, there is every reason to expect that the attempt will be made at least to keep farm prices up by these means.

These possibilities of future difficulty are not made any less disturbing by the fact that the history of price-goal legislation is one of pushing the goals further upward as they are approached. In other words, the parity price objective has not been a constant beacon giving general direction to the farm programs; rather, it has proved to be a moving star.

Even in the original parity price law, an exception to the 1910-1914 base period was made in the case of tobacco prices, as a higher price goal could be set by using a 1919-1929 base period. Even so, this 1919-1929 base was abandoned

in favor of a 1934-1939 base period when the former standard was reached. So, too, for potato prices, the 1910-1914 base was changed to 1919-1929 for the same reason.

On other occasions, changes in the computation of the indexes of prices of things farmers buy have been required by amendments to the original act. These alterations have not been uniform for different commodities except insofar as the revisions have all caused upward shifts in parity price standards.

Even more significant has been the action of Congress in recent price control legislation to shift from price goals based on past farm and non-farm price ratios to absolute price minima wherever such a shift assured super-parity prices. Since the prices of a number of farm products had already exceeded the parity goals, the price control legislation of 1942 provided that high points of absolute prices must be taken as minimum pricing points where such prices were above the parity level. The net effect of this modification has been to substitute a 115 per cent of parity minimum in place of a 100 per cent parity general level of agricultural prices.

We have a situation, then, in which the all-important financial objectives of farm policy have tended to become not just the realization of some balance of prices, nor even some arbitrary level of prices, but higher prices, and in which there is mistaken faith in the effectiveness of direct price-lifting measures over time.

But there are further considerations. In the first place, recent experiences in efforts to get changes in production make clear that parity price goals do not constitute useful directives for the efficient allocation of resources. This weakness was relatively unimportant ten years ago when the first need was to lift farmers from their misery. For the long pull, however, fundamental adjustments are needed. And it is now obvious, if indeed it were not known before, that the height of commodity prices 30 years ago can have no bearing to the relative needs

for farm products to-day or any future day.

Secondly, the attainment of parity prices tends to result in higher farm incomes than is indicated by the rise in prices. The main reason for this is that extensive technological innovations in agriculture in the past 30 years have resulted in lower unit costs of production. Therefore, per unit net returns are not proportionate to, but larger than, advances in the prices of the products. In 1942, for example, when the general level of agricultural prices was three per cent above parity, per capita net farm incomes were about thirty per cent higher than the parity income level.

The question that arises in view of these experiences in pursuing price objectives is whether there are any limits to the chase. Now, while it is true that farmers think in terms of prices and figure earnings in terms of income, nevertheless they reckon their financial position in terms of assets held. It is important, therefore, to look into the matter of assets or property. If farmers receive an income which to them is sufficient to provide a decent material standard of living, then minimum limits for improved prices and incomes will be determined by standards of property ownership.

The American standard of property ownership for farmers has not changed in concept in over a century, although the value of it certainly has. The traditional ideal has always been, and still is, the free and independent ownership of each farm unit by its operator. Since World War I, this property goal has not been emphasized in discussions of American farm policy but there is little doubt but that it persists as strongly as it did when it constituted the sum and the substance of agrarian demands. If independent farm ownership for the greater proportion of farmers is still an underlying farm policy requirement, what are the prospects of achieving it?

Taking a long view of farm property ownership trends, it is abundantly clear that American tillers of the soil have lost

rather than gained ownership of their capital assets. The proportion of the value of farm real estate owned by the operators of farms in the United States slipped from over 60 per cent in 1880 to about 40 per cent in 1940. The decline has been registered both through a rise in the proportion of farm tenancy and an increase in the indebtedness of nominal farm owner-operators.

At times it is possible for large numbers of farmers to make progress towards the full ownership of their properties, but this feat is accomplished only when extraordinary demands for farm products temporarily boost farm prices and thus push farm incomes up even more.

Unfortunately, however, while these boom periods are profitable to those engaged in farming at the time, they worsen the total position of agriculture so far as the general attainment of the property ownership ideal is concerned. The reason is not far to seek. If farmers are able, in such periods, to acquire full ownership of their farms, some are willing to increase their holdings by renting or by purchasing under a mortgage. A great many farmers are also willing and able to retire and to sell their farms or to lease them, just as oncoming farmers will be willing to buy these farms even under heavy mortgages or to rent them. And in addition, investors are anxious to acquire farm property to lease.

These tendencies get under way in war-time periods of high farm incomes, but they are temporarily checked by the fact that many would-be new farmers are in uniform or are working at good wages in industry, and many older farmers are held on the farm by the attractive income and by patriotic motives. In the immediate post-war period, the dam bursts and the swollen war-time farm incomes are capitalized into very high land values as the ex-service men and ex-war-workers rush to get farms and the former farmers retire from active farming.

It is, therefore, because of this relationship between the property ownership ideal and price and income goals that

we must underscore the differentiation between farm policies designed to improve the financial status of those who at any time have a direct fiscal interest in farming and policies looking to a sound agricultural economy. Furthermore, it becomes apparent that under prevailing social institutions, agriculture as a whole and over time is set on a treadmill with respect to financial objectives of policy, whether they are framed in terms of prices, of incomes, or of assets. And finally, if attention continues to center on price objectives while farm equities slip away from working farmers, it is difficult to assure that the farm operators are in fact the beneficiaries of the program.

The number of escape routes from the dilemma is limited. Only one solution is compatible with adherence to, and progress towards, the ideal of fee simple and independent ownership of farms by farmers. It requires a high level of steady and productive employment at high wage rates in those occupations which constitute real alternatives for rural boys who would otherwise farm. If this condition does not exist but if agriculture is so supported that farmers can attain ownership, then the farmers' sons for whom there are no farms will bid for the job opportunities which farms afford, and increases in tenancy and indebtedness will continue.

Progress towards the farmer ownership ideal, then, requires that many urban employments must offer both a reasonable plane of living and the opportunity to accumulate savings equal to the value of a going farm. It is not easy to believe that this station can be reached in the proximate future, and particularly in view of the technological pressures which are enlarging the size of efficient farm units and thus increasing the amount of capital which farmers must accumulate if they would have free ownership. If this measure of prosperity for urban workers is considered utopian, then it should also be recognized that in our present economy any hope for widespread independent farm proprietorship is equally visionary. But the long-run choices

are clear: either such a rural-urban balance as has been described need be established, or the property ownership ideal recognized as hopeless, or agricultural policy will continue to be a perplexing series of emergency stop-gaps.

The specific renunciation of the independent farm proprietorship ideal is hardly more likely than the attainment of a high degree of property ownership among industrial workers. There are, of course, a number of possible alterations in the property ideal that could be suggested, but each has a sufficient number of limitations as to make its deliberate adoption thoroughly doubtful for some time. The establishment of entail or other sharp restrictions on fee simple property rights, the nationalization of land, or the development of cooperative land ownership would be strongly opposed on political, if not economic, grounds as contrary to democratic concepts of freedom. In addition, the legal problems involved in any of these direct modifications of fee simple land ownership constitute formidable barriers.

These or other alternatives to the full and fee simple ownership goal will not receive attention in the United States at least until equities in farm property get so far out of the hands of working farmers that the free play of private property rights no longer assures them control over the land they work but separates them from it.

Ever since 1916, it has been felt that farm credit programs have an important part to play in the achievement of the historic property ownership ideal. For over 25 years now there has been a national system of government subsidized farm mortgage credit, with the original purpose of assisting non-owning farmers to become owners of their farms. While this elaborate program has brought about some reforms in the field of farm credit, it has not been able to stem the decline in farm operators' equities, even though the subsidies to it have been enlarged over time.

The federal farm credit system, at the depths of the past depression, rendered

great service to the private lenders, banks, and corporations which were anxious to have their mortgage loans refinanced. Some farmers were spared foreclosure, and all of them were aided by the subsidized features of the government credit program. But now, in a period of prosperity again, the new loan business seems to be going to non-public lenders, frequently on terms that the federal credit system was thought to have stamped out long ago and in spite of the lenient features of the federal loans.

This trend seems to be taking place partly because of the attempt of the Farm Credit Administration to hold to a conservative policy and partly because of the current superfluity of private investment capital. The question arises as to whether the federal system in the post-war deflation will once again prove to have the secondary role of being a stand-by organization for bailing-out purposes. It seems at least to be certain that easy, subsidized credit has proved incapable of offering a road to full owner-operatorship of our farms.

If governmental efforts in the field of farm credit are to help establish a sound agriculture, they will have to be based on a more fundamental concept of the problem than has thus far prevailed. The chief hope is that by the time the federal credit system is again called in to save the private mortgagees, it will have been able to devise a program of participation that is more substantial than that of merely serving as a soft substitute mortgage holder in periods of stress.

In the United States before 1916, central attention was directed towards the establishment of an agriculture of full and free owner-operators by giving or cheaply selling public land to settlers. The history of this tremendous episode showed conclusively that even though full ownership were given to farmers, they could not, as a whole, keep it.

Since 1916, lacking available public lands, the philosophy has been that the long-sought property goal can still be reached if only farm prices and incomes are kept high enough and credit terms

made easy enough. But past experience and realistic analysis clearly point to the insufficiency of this position.

The basic fact is that the labor of farming normally does not offer rewards sufficient for the maintenance of a good plane of living according to modern standards and in addition the accumulation of a fortune equal to the value of a modern, efficient farm unit. And it cannot return so much if alternative occupations open to the surplus farm population do not hold out equivalent attractions. If farming does begin, under peculiar circumstances, to offer such remuneration, these unusual earnings will surely be capitalized into higher land values as the surplus farm population bids for these job opportunities on farms. And the oncoming farmers are no better situated than their predecessors were before.

So long as this basic fact is not a part of agricultural policy planning, there are bound to be continual doubts, difficulties and disappointments in the construction of farm aid programs. Those who believe otherwise will indeed be hard put to find an example in any country in the world where it has been otherwise. And, admittedly, nowhere has the problem been easily solved.

Agriculture, unlike medicine or law or certain other occupations, cannot limit entry artificially because the sons of farmers serve their apprenticeship

automatically. Yet if the rural birth rate were reduced to the reproduction level, the national population would decline, for it is the rural rate which has kept the national rate up to or above reproduction.

Barring a sharp decline in rural birth rates or a wide diffusion of opportunities for property accumulation among the low and moderate income groups, there appears to be scant hope for building a sound agricultural policy under the concept of attaining a rural citizenry of owing farmers through the free play of fee simple property rights in land. Only youthful nations have thought that it might be possible.

The choice as to alternative farm property ideals is a most difficult one to make; and we shall probably shy from it as long as possible. But the issue remains nonetheless; and until this social decision is crystallized, it will not be possible to go forward to lay out a policy that truly aims, not at temporary palliatives, but at the construction of a rural economy which offers the consumers of the nation a sufficient food supply at reasonable cost, which guarantees to society the proper care of its basic resources, and which assures the tillers of the soil a decent standard of living, security against natural and economic disaster, protection against exploitation, and progressive and modern communities in which to live.