

Historic Perspective of the Social Contract with U.S. Agriculture

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Social Contract with Agriculture?

- ✓ A possible definition: Government's enabling and/or financial support of activities that enhance agricultural production and marketing and improve the financial position of U.S. farmers, ranchers, farm families and the rural communities in which they live.
- ✓ A partnership between government and ag. producers.
- ✓ A partnership between agriculture, government and society.

In Regard to Change in the Social Contract

Although not framed as a social contract Ralph Christy asked...

“What is the appropriate balance between government and markets in achieving desired economic objectives?”

and then stated...

“...forces are altering the nature of public policies for agricultural sectors globally, thereby creating what Bromley (1999a) has characterized as a “policy crisis” in agriculture.”

Ralph D. Christy, 1996 AAEA Presidential Address....“Markets or Government? Balancing Imperfect and Complementary Alternatives”

Social Contract with Agriculture?

Christy goes on to describe what I think people are talking about when they discuss dismantling, as we frame it, the Social Contract...

- ✓ Dismantle trade barriers,
- ✓ Privatize state owned or sponsored organizations,
- ✓ Remove price and income supports,
- ✓ etc.

With attendant human resource consequences for those affected.

Ralph D. Christy, 1996 AAEA Presidential Address....“Markets or Government? Balancing Imperfect and Complementary Alternatives”

Social Contract with Agriculture?

I would add food programs, tax policy, agricultural research and education, etc., to that mix.

The contract is changing...but perhaps it always has been in a state of evolution.

Evolution

Changing government philosophy, as directed by the larger societal political influence, directed the historic course of the contract with agriculture.

Evolution from Revolution. 1776-1860

Government Philosophy...

- ✓ Age of reason.
- ✓ Individualism.
- ✓ Freedom from England.
- ✓ Deliberately weak federal, strong States.
- ✓ Protect commerce and commercial interests.
- ✓ Laissez faire for everyone else.



Evolution from Revolution 1776-1860

- ✓ Ag research carried out primarily by private interests (wealthy landowners) and agricultural societies with some state support.
- ✓ As time progressed individual states supported the development of agricultural research and education more.
- ✓ Little in the way of a federal social contract.
- ✓ Individuals were pretty much on their own.
- ✓ 1839 U.S. Office of Patents distributes seed and plants.
- ✓ 1855 U.S. Patent Office hires a cotton entomologist.

*Eighth Annual Message of George Washington, United States;
December 7, 1796*

“It will not be doubted that with reference either to individual or national welfare agriculture is of primary importance. In proportion as nations advance in population and other circumstances of maturity this truth becomes more apparent, and renders the cultivation of the soil more and more an object of public patronage. Institutions for promoting it grow up, supported by the public purse; and to what object can it be dedicated with greater propriety?”

Among the means which have been employed to this end none have been attended with greater success than the establishment of boards (composed of proper characters) charged with collecting and diffusing information, and enabled by premiums and small pecuniary aids to encourage and assist a spirit of discovery and improvement. This species of establishment contributes doubly to the increase of improvement by stimulating to enterprise and experiment, and by drawing to a common center the results everywhere of individual skill and observation, and spreading them thence over the whole nation. Experience accordingly has shewn that they are very cheap instruments of immense national benefits.

I have heretofore proposed to the consideration of Congress the expediency of establishing a national university and also a military academy. the desirableness of both these institutions has so constantly increased with every new view I have taken of the subject that I can not omit the opportunity of once for all recalling your attention to them.”

Source: <http://www.yale.edu/lawweb/avalon/presiden/sou/washs08.htm>



1800's

Most of the Century was about leaving people alone and protecting the interests of the rich...including protective tariffs and the protection of innovation.



Civil War to Populism



Civil War to Populism

Civil War to Populism - 1860-1900

1862 railroad acts gave Union Pacific and Central Pacific railroads \$27 million subsidy.

Source: Murray Benedict, "Farm Policies of the United States 1790-1950" The Twentieth Century Fund Inc, 1953..

Disposal of 1.4 billion acres of government land in small parcels gave rise to a family farm structure for U.S. agriculture.

Farmer Concerns: Tariff policy, hard currency, ag credit availability, interest rates, shipping rates, food adulteration, market regulation, over production price and yield stability.

State governments took the lead in working with farmers to establish experiment stations and conduct ag research.

1800's RAILROAD BARRONS AND AGRARIAN POPULISTS

Price Fixing

Corruption

Adulteration and Just Plain Rotten Food

Farmers Organize

First Regulations Appear

Second half of the 19th C

- 1862 Morrill Act - Land grant colleges.
- 1862 Homestead Act – Gave land to settlers.
- 1862 USDA created.
- 1887 Hatch Act - Ag. experiment stations.
- 1887 Interstate Commerce Act – took regulating interstate trade from state's.
- 1889 U.S.D.A. - given cabinet status.
- 1890 Sherman Antitrust Act – Prohibits monopoly in trade. Second Morrill Act.
- 1896 Rural mail delivery provided.

Second half....

Grange, Farmers Alliance and other farm organizations emerged and got into politics.

“Granger” legislation pushed for regulation of the railroad freight rates, opposition to adulteration of food, monopoly and corruption.



Second half...

Grange accomplishments:

- Organization of ag. experiment stations.
- Teaching ag. in schools.
- Getting Department of Ag. raised to cabinet level.
- Getting rural mail delivery.

1890

• Second or 1890 Morrill Act.

Funded the Land-Grants to provide education in ag. and mechanical arts. Provided for establishment and a separate but equal treatment for black Land-Grant Colleges with the language:

“no money shall be paid out under this act to any State or Territory for the support and maintenance of a college where a distinction of race or color is made in the admission of students, but the establishment and maintenance of such colleges separately for white and colored students shall be held to be a compliance with the provisions of this act if the funds received in such State or Territory be equitably divided as hereinafter set forth:” (Land Grants: Second Morrill Act of August 30, 1890, ch.841, 26 Stat.417, 7 U.S.C. 322 et seq. Chap. 841. www.higher-ed.org/resources/morrill-acts.htm)”

“Populism or Hayseed Socialism”

Some say it failed but the “Populist” agrarian movement, had a lot to do with changing the philosophy of government to protection of the common man as opposed to the protection of special interests.

The partnership of farmer and federal government increased significantly at this time.

Early 20th C. Ag. Related Legislation

- **1902 Land Reclamation Law – Subsidized irrigation water from federal projects to farmers.**
- **1906 Food and Drug Act – Prohibited manufacture, sale or transport in interstate commerce of adulterated, misbranded, poisonous or deleterious foods, drugs medicines or liquors. (Sinclair’s “*The Jungle*.”)**
- **1910 – 1914 Golden Age of Agriculture – Parity Period.**
- **1913 Federal Reserve Act – Coordinated banking system created.**
- **1914 Smith Lever Act – Federal Extension Service created.**
- **1916 Federal Farm Loan Act – Federal Land Banks created.**
- **1917 Smith Hughes Act – HS Vo. Ag.**
- **1921 Packers and Stockyards Act – To restore competition to the livestock industry.**
- **1922 Capper Volstead – Authorized coops.**

Just for fun Parity Prices

Example Parity Prices in 12/03

Corn	\$ 6.75/bu.
Cotton	\$ 1.74/lb.
Peanuts	\$.674/lb.
Fluid Milk	\$ 34.20/cwt.
Soybeans	\$ 14.80/bu.
Beef Cattle	\$ 164/cwt.
Eggs	\$ 1.62/dozen

"Agricultural Prices," Ag. Statistics Board, NASS/USDA, December 2003

World War I



GOOD TIME FOR FARMERS?

Early war 1914-1916 not so good.

By 1917 Prices were up.

Europe needed food.

Export markets good.



After World War I and the 1920's



**After WWI and through
the early 1940's:
Depression in Ag.**



**Prices collapsed as Europe
recovered after the war.
Boll weevil in the south.
Interest rates high relative to farm
income.**

**Dust Bowl and Depression
1930's**



Ag Crises

Over grazing and lack of conservation caused the soil to blow



1930's - 1940'S

Period solidified political gains of the populist revolt and ushered in what many consider the height of the government's social contract with agriculture.

New Deal for Agriculture
Agricultural Adjustment Acts.
Recovery During World War II



Since the 1930's the Social Contract has included farm bills

Legislation enacted every 4 to 6 years, sometimes annually, to support farmers, consumers, conservation and rural communities.

FARM BILLS

“Permanent Legislation” forms the backbone of today's farm bills.

- **1938 – Agricultural Adjustment Act**
- **1948 – Commodity Credit Corp. Charter Act.**
- **1949 – Agricultural Act.**

1950-1970's Farm Bills

- **Conservation.**
- **Concern with surplus.**

Support prices above equilibrium generates surpluses. Political solution was to reduce price supports which was politically unpopular. Food for peace and school lunch.
- **Lowering support price didn't work to alleviate surpluses...they kept building up.**

"Technology treadmill"

1950-1970's Surpluses

- Voluntary land retirement, Soviet exports, easy credit and good times.
 - In 1972 12% of all farmland was retired from production in the Soil Bank program Cost the government \$855 million in 1971.
 - 1973 Ag. & Consumer Protection Act Initiated target Prices and deficiency payments.
 - Late 70's budgetary and international political turmoil.

1980's Reagan Revolution

Reagan Revolution - Changed the Contract

“The Reagan philosophy was to let the marketplace operate according to its nature.”

Source: Jason Manning, “The Midwest Farm Crises of the 1980's” <http://eightiesclub.tripod.com/id395.htm>

1980's Reagan Revolution

Carter Years Ended – High Inflation, Embargoes and Regulation.

Reagan Revolution Started - Changed the Contract Back to Laissez Faire

“The Reagan philosophy was to let the marketplace operate according to its nature. ...administration's point-of-view. "The primary function of the Government should be to insure small and moderate-size farmers against natural disasters and price fluctuations that have threatened them since the beginning of time....But the Government cannot protect farmers either from themselves or from inevitable changes in technology and the marketplace." The latter was precisely what the government had been trying to do since the days of the New Deal.” –

(Jason Manning, “The Midwest Farm Crises of the 1980's” eightiesclub.tripod.com/id395.htm)

- Conservation Reserve
- PIK – Payment in Kind
- Concept of buy outs – Dairy Buy Out

1980's

Philosophy was constrained spending on entitlements, smaller government and laissez faire?

Commodity distributions, food stamps, WIC, etc. “reached a high water mark by 1980.”

(www.access.gpo.gov/congress/senate/sen_agriculture/ch8.html)

Budget problems, grain embargo and philosophy of smaller government. But...

- 1980 Food Stamp Act
- 1981 Ag. and Food Act.
- 1980 Crop Insurance Act
- 1980 Farm Credit Act
- 1980 Rural Development Policy Act.
- 1985 Food Security Act loan guarantees
- Etc....

Which led to the 1990's

- ✱ **1990 FACTA –**
Flexibility - flex acres
- ✱ **Smaller USDA. -**
Leahy-Lugar
- ✱ **1996 FAIR –**
The last farm bill?

FARM BILLS

Latest farm bill is the 2002 Farm Security and Rural Investment Act (FSRIA)

Alabama Farms – Years Making a Profit 2000-2004

	<u>Without Government Program Payments</u>	<u>With Government Payments</u>
Cotton	2/5	4/5
Grain	2/5	4/5
Peanuts	2/5	4/5
Dairy	4/5	4/5
Cow-Calf	0/5	2/5
All Farms	2/5	4/5

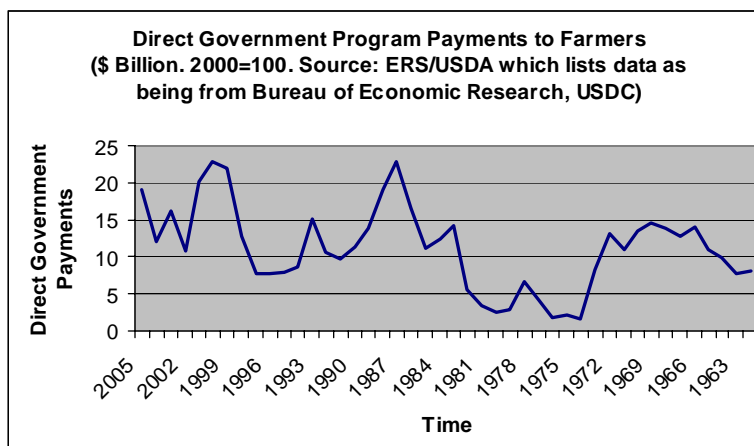
Source: Alabama Farm Analysis Associations Summary Report, 2003&2005.

Farm bills are one aspect of the contract. Food and feeding programs, tax policy, transportation, energy, environment, wildlife, and other variables are part of the social contract.

2002 Farm Bill Contained 10 Titles:

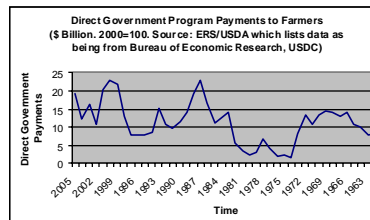
Commodities	Conservation	Credit
Trade	Nutrition	Energy Research
Forestry	Development	Miscellaneous

History vs Today



History vs Today – Has the Contract Changed?

- No real evidence that spending for agricultural programs has declined.
- Have been cuts in services and government.
- However that's been most expedient because it has become part of the public's perception about government.
- Yes the contract has evolved.



History vs Today – What's Changed?

One Answer - Darryl Ray,

“The current crisis in American agriculture is the result of deliberate changes in U.S. policies” leading to low prices and high income support resulting from a shift to reliance on the free market.

Dr. Ray identifies another dimension - “...agribusinesses have thrived...The precipitous decline in prices of primary commodities especially grains, is providing agribusiness and corporate livestock producers access to agricultural commodities at below the cost of production, consolidating their control over the entire production and marketing chain.”

(Darryl E. Ray, Daniel G. De La Torre Ugarte, and Kelly J. Tiller, “Why are we in this Mess? Rethinking U.S. Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide,” Agricultural Policy Analysis Center, U. of Tennessee, 2003.)

History vs Today – What’s Changed?

It’s been an evolving optimization problem.

Today, the partnership has changed into a pyramid as corporate and others gain political influence in the ag. policy arena.

Changes in the social contract have been made in programs that would cost least politically...examples include welfare reform, tax cuts, attempts to cut food stamps and feeding programs, estate tax repeal, etc. In contrast, commodity programs escaped essentially unscathed from the recent Budget Reconciliation Act.

BIOBUSINESS

Public Concern for Private Funding – Ned Stafford

www.the-scientist.com

"If institutions become too dependent on private funding sources, the academic research focus could move too heavily toward development," warns Robert Gropp, director of public policy at the American Institute of Biological Sciences in Washington."

"David G. Schetter, assistant vice chancellor at the office of technology alliances at the University of California, Irvine, is not only skeptical that increased industry funding would trigger a decline in support for basic research, but he also ascribes industry opening its coffers to basic research as a sign of the stronger connection between basic research and how drugs are designed and evaluated. In other words, it's an evolutionary development reflecting better science."

The Social Contract As Pertains to Ag.

1. Post Colonial Era

- a. States rights

2. Settlement

- a. Strengthening of the Federal

3. Civil War – Early 20th Century

- a. Farm organizations – State – Federal Partnership

4. Early 20th – 1970's

- a. Farmer – Consumer – State – Federal

5. 1980's – Today

- a. International Trade – Laissez Faire
- b. Farm – Corporate – State - Federal