

(See later pages) droughts

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THE JOSEPH IDEA, THE DROUGHT, AND THE AMERICAN CONSUMER

Remarks by Henry A. Wallace, Secretary of Agriculture, at the
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Joseph was one of the earliest economic statesmen of history. During seven years of good weather, according to the 47th Chapter of Genesis, he stored up the surplus crops to be used when the drought years came. Then, in exchange for stored grain, he accepted from the drought-stricken farmers first, their money, second, their livestock and third, their land. Apparently he put the farmers on the relief rolls until the drought was over and then gave them back the use of their land in exchange for a very low rent. It was a plan which worked well in ancient Egypt because behind Joseph stood Pharaoh.

In ancient China the followers of Confucius worked out a modification of the same idea which they called the Ever Normal Granary, and which provided that in the good years the government should buy up a certain percentage of the crops to be stored away until prices had advanced beyond a certain point and the crop had declined below a certain point. The plan was used with moderate success and occasional intermissions for more than 1400 years.

The Mormons, and especially the Mormon women, in the early days in Utah worked out a system of storing the surplus of their wheat against a time when the crops might be unusually short. The system was still operating in Utah in a modified form at the time the World War broke out.

The Federal Farm Board operations brought about considerable storage of wheat and cotton but the storage was started in response to political pressure and there apparently was little thought as to when or how the surplus would be sold. The experience of the Farm Board was exceedingly disillusioning both to the farmers and the Farm Board itself. The more the Farm Board dipped into the market to sustain the price of wheat and cotton, the lower the price seemed to sink, and the lower prices went, the less the farmers bought from the people in the cities, and so we had the strange paradox of bread lines lengthening almost in proportion to the increasing surplus in storage. The more the farmers produced the less the city people produced.

Today, in spite of the two worst droughts in the history of the United States the average family in the United States is consuming more than in 1932 and feels much more secure than it felt in 1932.

Today, there is in the United States an unusual opportunity to take advantage of the experience of Joseph, the ancient Chinese and the Farm Board. Some people who are more interested in the welfare of the speculators than they are in the welfare of the farmer and the consumer, say, "You cannot regiment nature". Doubtless after Joseph had been storing grain for two or three years and had found it necessary to build more warehouses, his critics became numerous and loud. Doubtless the Egyptian forerunners of those respectable citizens who act so hopelessly when confronted with the variability of nature, said: "This fellow Joseph is crazy. We have had unusually good weather now for three years and Pharaoh must be crazy too for still believing in Joseph's foolish dream. It is labor thrown away to build warehouses to store up mountains of grain which will turn to dust and never be used." Of course, Joseph didn't mind people of this sort because he had despotic authority.

Fortunately for us in the United States, we are not under the despotism of a Pharaoh. We carry all our responsibility under a democratic form of government.

But the droughts of 1930, 1934 and 1936 must by now have caused millions of people both on the land and in the cities to think about the advisability of some modern adaptation of the Joseph plan to the United States.

"You cannot regiment nature," say the reactionaries. True enough; but neither can you regiment death or fire or windstorms or earthquakes. We cannot regiment nature, but we do not have to let nature regiment us. The things which cannot be regimented by individual man are the very things which become the concern either of government or of such great cooperative institutions as insurance companies. The cry, "You cannot regiment nature," while true enough, is the cry of little men lost in primitive superstition. Joseph had a bigger vision than they. He didn't regiment nature but he did prepare for the whims of nature.

Most modern people believe it is wise to spread unusual risks by means of insurance over a larger number of people so that the disaster will not be completely crippling to a particular person or family.

My grandfather happened to be a minister in a branch of the Christian church which believed it was against the will of the Lord to carry insurance. Today, however, I have noticed that nearly all of the members of this particular faith with whom I am acquainted carry insurance and a number of them are in the insurance business. Today I question whether one person in a thousand will seriously argue that it is against the will of God to work out a type of insurance which will protect the individual farmer against the complete demoralization caused by the unusual weather hazard.

Because agriculture never has had the protection of crop insurance, some people seem to feel it never should. Business men have long used many forms of insurance. Millers "hedge" purchases so they can't lose when grain prices go down. Ships are insured against storm--a weather hazard. Banks are insured against theft--far more unpredictable than the weather. Insurance of various kinds is available

to all city people. Then why shouldn't farmers have crop insurance against risks which are far greater than those which confront most businessmen?

Against the rallying cry of the reactionaries--"You can't regiment nature"--we can cite a long list of discomforts and perils we once thought nothing could be done about. After all, men have attacked disease, prolonged life, postponed death, devised life insurance, and have searched the earth for plants and methods to withstand the weather.

It has long seemed to me that there is a profound unity of interest between consumers and farmers in some adaptation of the Joseph plan. Some people have criticised this Administration for not using the Joseph plan more definitely and consciously heretofore, but these people have shown no willingness to cooperate in working out a practical modification of the Joseph idea. During the years of plenty we do not want the surplus to be held in such a way as to drive wheat prices down to 20 cents a bushel or lower. And in the years of drought surely some way can be discovered which will prevent the loss by farmers of their money, their livestock and their land as was the case in ancient Egypt.

If the Joseph plan can be modified so that there is a more uniform supply from year to year and a more uniform price from year to year both farmers and consumers will benefit. Consumers do not benefit from cheap food one year if it means ruined farmers and food far higher in price a few years later. Farmers do not benefit from exceedingly high prices for food if the consumer is harmed and the result is great overproduction, waste and low prices a few years later.

In 1932, when accumulated surpluses had driven farm prices down to the bottom, one would expect to find consumers exceedingly well off. Food prices were lower than in generations. Yet in that year the consumers of the United States suffered as never before.

Vast piles of wheat on Kansas farms and enormous stocks of cotton down South did not keep city factory workers off the breadlines. The fact is there was less consumption of cotton in the United States in 1932 and more people on the breadlines than ever before. Low prices to farmers kept farmers from buying and hurt city folks as well as farmers.

In reverse fashion, exceedingly high prices and a scarcity of farm products eventually can cause even greater damage to farmers than to consumers, for the usual result after a few years is overproduction, low prices, and farm bankruptcies.

I ask you whether it would not be in the General Welfare to strive for a workable balance between those two extremes. The American farmer owes a sacred duty to the American consumer to see that he is adequately fed no matter how severe the drought. The consumer, in turn, through the Government owes it to the farmer to see that surpluses accumulated through years of good weather do not ruin the farmer.

For many years the efforts of thoughtful farmers and of the Department of Agriculture have been directed toward preventing violent swings in farm prices or in farm conditions in general. For at least a dozen years a division of the Bureau of Agricultural Economics has been studying this whole question of crop insurance, along with other kinds of farm insurance. During the past three years the detailed farm records of production required by the AAA programs have brought together much of the actuarial foundation needed for a really sound crop insurance program.

Basically our whole soil conservation program aims toward a more stable agriculture. We seek an agriculture which produces more in years of bad weather, and somewhat less in years of good weather while at the same time soil resources are maintained. For example, while the 1934 drought reduced the corn crop in Kansas to one sixty-sixth of the 1933 crop, it reduced sorghum and alfalfa production to about one half. In the long run more acres of such drought-resistant crops as sorghum and alfalfa, and fewer of corn, would give Kansas a more stable agriculture.

Some ten or a dozen years ago in Iowa we expressed this objective concretely in the slogan, "Less corn, more clover, more money." It seemed to me then, as it does now, that the idea of all-risk crop insurance was a logical companion to that slogan. When I wrote about crop insurance and the ever normal granary a dozen years ago, however, the years of good weather and of temporary city prosperity were poor advocates for the idea. When in the spring of 1934 I again called attention to the ever normal granary, many thought we were too apprehensive of the future. Now that we have had two devastating droughts in three years, perhaps there will be a more general inclination to consider measures of preparedness.

Of course, there are technical difficulties to be overcome in working out an all-risk type of crop insurance. But if we proceed with due caution and intelligence we need not be held back by the cries of those who proclaim, "You cannot regiment nature". You can adapt yourself to nature, and that is what this Administration has been doing and will continue to do to the best of its ability.

The Joseph plan of ancient Egypt must be modified in important particulars to fit a modern American democracy. The plan must be so developed that it cannot serve as a speculative football, as was the case with the Farm Board. The accumulated surplus in the ever normal granary or crop insurance pool, or whatever the plan is called, should not be dislodged until the time of genuinely short crops arrives. To protect both the farmer and the consumer in a democratic nation like the United States, it seems to me the best plan is to require that the farmer who wants crop insurance shall pay his premium in the form of grain in years of good crops and shall also receive his compensation for damage in years of bad crops in the form of grain. Under certain conditions both premiums and compensations might be paid in cash equivalent instead of grain. Premiums of course would vary in different sections of the country and on different farms according to the risk experience.

Hundreds of millions of bushels of wheat may be held in an insurance pool without affecting the market. In like manner, a Joseph granary or an ever normal granary might be built up in part by commodity crop loans such as were made on corn in the fall of 1933. Of course, such a granary might also be built up by governmental purchase, direct or indirect, such as that made by the Farm Board. Direct governmental purchases, however, are much more of a danger under the American democracy than is the commodity approach or the approach of crop insurance paid in kind.

To illustrate the dangers of direct governmental purchases, let us assume the existence of a modern Joseph here in America. Through some revelation let us suppose that Joseph again foresaw seven fat years, to be followed by seven lean years. We shall assume that he convinces the President and Congress that governmental purchases and storage of grain must begin in 1937, and continue through 1943. The year 1937, we shall assume, turns out to be an exceptionally good year. The yield per acre of wheat proves to be equal to the highest ^{on} record, and the acreage is the same as the high level planted for the 1935 and 1936 crops. The result would be an output far exceeding the billion-bushel crop of 1915.

With domestic consumption of wheat staying between 600 and 650 million bushels, Joseph would have at least 350 million bushels to export or put in government granaries. At once, it is safe to predict, the newspapers and the speculators in the grain trade would shout at the top of their voices about the foolishness of wasting government money in storing the 250 million bushels which could not be exported.

Joseph, if he still had the confidence of the President and Congress, would continue his program into 1938. But again sun and rain combine in perfect proportions to yield a bumper crop, perhaps even another billion-bushel crop. And then the headlines would burst forth on every side, shouting into Joseph's ears:

"Joseph Revives Farm Board," and "Joseph Wheat Purchases Threaten Government Credit," and "Joseph Plan Brings 30-Cent Wheat." At this stage of the game Joseph would begin to understand the complexities of the modern world. He would reach the conclusion, I think, that the best way to obtain his desirable objective under modern conditions would be by some modification of the commodity loan-crop insurance approach that rests on democratic and cooperative arrangements between producers, consumers, and their government.

Even when the technical difficulties of a crop insurance plan have been ironed out, however, there will be plenty of opposition to it. Those handlers of farm products who think their welfare depends upon violent fluctuations in price may join forces with other reactionary pressure groups to pervert the true purpose of the plan. In order to deceive the public some of them may attempt the same distortions they have been employing towards the AAA during the past two or three years.

Unquestionably they will invent a label as damning as the scarcity label they have attempted to pin on the AAA, and it will be equally vicious and untrue. They will ignore facts as freely as the present critics of the AAA ignore facts when they forget the situation the AAA inherited in 1933, or when they overlook the unusually high acreage of wheat planted for the 1935 and 1936 crops, and the gratifying increase in the acreage of soil-conserving, drought-resisting crops under the soil conservation program of 1936.

I do not think it is too much to ask the reactionaries to prove their charges. I do not think it is too much to ask them to refrain from such astounding statements as they have lately been making, to the effect that our agricultural policies increased unemployment. This simply is not true. The truth is that agriculture has contributed more to re-employment than any single industry.

Insofar as any unemployment traces to agriculture, it traces to the fact

that foreign purchasing power for the wheat, cotton, lard, and tobacco coming from 40 million acres of land was largely destroyed by the highly isolationist policies of this country and other nations following the World War. The destruction of this foreign purchasing power did not become apparent until we stopped loaning money abroad in 1930. When by 1932 cotton reached 5 cents, wheat 30 cents, hogs \$3, and tobacco 7 cents, the purchasing power of millions of farmers was reduced to a point which made unemployment inevitable in both agriculture and industry. Until a profitable market is restored for the product of these lost 40 million acres, there is certain to be unemployment in both agriculture and industry.

Agriculture resents the accusation that agricultural policies have caused unemployment in view of the fact that farmers have had to give refuge and support to millions of people on the land when they lost their jobs in town. Around nearly every large city in the United States will be found thousands of people who had jobs in town in the 20's, but who now are living with or competing with farmers.

By helping to increase the dollars in farmers' hands from 5 billion in 1932 to more than $8\frac{1}{2}$ billion this year, the AAA has helped to put millions of men and women back on city payrolls. Everyone knows that business activity is sensation-ally higher than in 1932. Let it be included in the record that 40 percent of this increased business activity has been due to higher farm prices and income, and that approximately 40 percent of our re-employment since 1932 traces to the same cause.

In saying this I do not wish to ignore the fact that the fundamental problem of an effective foreign demand for our exportable surplus of wheat, cotton, and lard, which will be with us with ordinary weather, has not yet been met in any fundamental way. When these surpluses again appear, buying gold and silver from abroad may prevent the situation from becoming acute, but the basic problem of restoring foreign purchasing power for our goods remains.

Of course the heart of the whole reactionary opposition to the farm program, as developed by the farm leaders themselves, lies in the conviction that the powers of government should not be used by farmers in behalf of the General Welfare.

Consider, for example, the behavior of the Federal Government during the widespread drought of 1930. The Administration then in power thought drought a local matter, something beyond the proper scope of federal effort. All will remember how federal assistance in that drought was confined to loans for feed for livestock. There were no federal funds with which to feed human beings. That was left to charity and to local government. Under such a policy it was in no way surprising to read, in the newspapers of January 4, 1931, that at England, Arkansas, hungry drought sufferers had taken matters into their own hands. Said the headlines: "500 Farmers Storm Arkansas Town Demanding Food for Their Children."

By way of contrast, when severe drought developed in May, 1934, federal agencies were already in existence and prepared for action. Besides the Agricultural Adjustment and Farm Credit Administrations, the government had its relief and public works administrations in operation. They had been established to fight depression and they were equipped to fight the drought.

First, with funds provided by Congress, swift steps were taken to supply food or work for those people who were made penniless by the drought. Second, the corn loans of 1933, while not made in expectation of drought, resulted in storage on the farm of 271 million bushels of corn, which proved immensely useful in supplementing the exceedingly short corn supply in 1934. This was really an application of the ever-normal granary idea. Third, the adjustment

programs were quickly shaped to stimulate the planting of emergency drought resistant forage crops. Fourth, a billion pounds of meat were salvaged by federal purchase and slaughter of cattle and sheep threatened by starvation. The meat was distributed to families on relief. Fifth, the AAA benefit payments proved an invaluable form of crop income insurance, giving farmers participating in programs an income in spite of destruction of their crops. Sixth, the government by a system of guarantees to farmers stimulated the salvage of large quantities of corn fodder and stover to augment feed supplies; seventh, it secured freight rate reductions to facilitate movement of livestock to feed and feed to livestock. Other extensive activities included establishment of a livestock feed information office to locate and facilitate economic movement of feed supplies between buyers and sellers; extensive seed and feed loans to help farmers plant another crop and retain valuable foundation herds; location, purchase and sale of selected strains of seed of grains hit by drought; emergency tariff reductions to admit hay from Canada duty free, and low grade feed wheat at reduced rates of duty; and construction of wells to augment water supplies.

While their general character is the same, the large-scale drought operations of 1936 have been varied greatly in detail to fit differences in this year's problem. Again the government is recognizing and meeting its responsibility to see that people do not starve. Work on federal projects is being provided for those made jobless by drought. Last week I took up in conference with the proper agencies the subject of adequate seed and feed loans to finance the planting of new crops and the wintering of livestock. There is no danger of a shortage of human food, but the problem of providing feed for livestock is serious. Once again, the AAA is in the market ready to prevent any break in livestock prices that may be threatened by pressure to sell as a

result of feed shortage. Because the supply of livestock is smaller in relation to feed supply, the extensive purchases of 1934 will not be required this year. The Government again will buy and conserve seed supplies. It has again worked with the railroads in getting lower freight rates on feed shipments.

The bright spot in the 1936 feed situation is the supply of hay and forage. Each year, the AAA has placed greater emphasis upon the planting of legumes and grasses, so that steadily since 1932 the acreage of these crops has been increasing. In the agricultural conservation program of 1936, this was fundamental.

This year, the conservation program and the lateness of the drought have combined to give us a hay supply which is probably one-third larger, in relation to the number of hay-consuming animals, than the supply of 1934. Thanks to the AAA adjustment and conservation programs, alfalfa acreage this year exceeds 14 million acres for the first time in history. Lespedeza acreage has more than doubled in three years. In large areas where the corn and grain crop is a flat failure, yielding a bushel or two per acre or nothing at all, farmers this year have harvested fair hay crops. The payments to be made under this year's agricultural conservation program will be like the benefit payments in giving drought-stricken farmers a form of crop income insurance.

Drought did not bring scarcity into the average American home in 1934, nor will it in 1936. The record shows that the real period of scarcity was in 1932. It was then, when the surpluses were greatest, that the breadlines were longest. It was then that the farmers were losing their farms, that industry was prostrate and fear and hunger were rampant. It was when farmers were burning corn instead of coal that the city people were most hungry.

The record shows that every year since 1932, farmers have been able to buy more things, city people have been able to sell more, business has been better and more people have gone back to work. In spite of two of the greatest droughts on record, we are headed this year for a cash farm income nearly 80 percent above 1932, with more activity in factories, in mines and on railroads, which once again are carrying freight into the farm country as well as out of it. I remember the statement credited to a railroad agent in 1935 respecting a certain town in Iowa: "In 1932 we shipped many car loads of stuff out of this town but almost nothing into it. Now the car loads both ways are more nearly even."

Serious droughts are no new thing in the U. S. Fifty years ago, beginning about 1886 and continuing off and on until 1894, drought did very serious damage to the western corn belt and the Great Plains. Our meager records indicate that 100 years ago beginning in 1836 and continuing till the early forties there were serious droughts in central United States. Tree rings in the Southwest tell of recurring droughts hundreds of years ago. According to the tree ring story it was after 23 years of prolonged drought that the Mesa Verde Indians gave up and left their cliff dwellings in south western Colorado. Two thousand years or so ago according to recent researches in Nebraska the drought became so serious as to make a considerable section of the Great Plains and adjoining corn belt almost desert. The Indians, according to Professor E. H. Bell, stuck it out as long as they could but finally the drought won and a desert of shifting sand covered their ancient city to a depth of from two to fifteen feet.

Somehow I cannot believe the Lord punishes farmers for trying to stabilize their business. Before punishing farmers it would seem the Lord would visit his wrath upon those industrialists who felt compelled to cut production to one-half or even one-fourth of normal in 1932, thereby plowing millions of workers out

onto the streets and creating the most intense scarcity this nation has ever seen.

Those who mix politics with drought and the ways of the Lord are returning in their thinking to the practice of ancient tribes which killed their medicine men after the drought had continued too long. Christianity replaced paganism of this sort. No, it seems to me that if the Lord had a specific human purpose in mind in causing the droughts of 1930, 1934 and 1936, the purpose would be to suggest to the people of the United States the wisdom of working out a modern adaptation of the Joseph plan which would best conserve the interests of the farmers and consumers.

We now know that in order to get true abundance for the average home it is necessary to have not only highly efficient technological machinery, up-to-date inventions and methods of mass production, fertile soil and efficient farmers, but that it is also necessary to have a balance between the volume of different kinds of agricultural and industrial products and the prices of these products. Today many families who are much better off than they were in 1932 are complaining because they have to pay higher prices than in 1932. Yet in order that the average family in the United States may continue to have an ever-increasing quantity of things to consume, it is important to think of the General Welfare not so much in terms of price as in terms of that balanced increase in output and that balanced increase in consumption which can be maintained year after year.

In the main, the increase in prices since 1932 has helped to bring about a better balance. In 1932, the lack of balance brought about the most sudden and extraordinary scarcity in industrial products with accompanying unemployment that this country had ever seen. The mechanism for abundance was present in 1932, but the economic governors were not functioning. Today, as a result of drought we have serious natural handicaps to overcome. Nevertheless the economic governors

are functioning far better than they were in 1932, and the average home, as a result, has far more abundance than in 1932. But as we move toward greater abundance we must ever be conscious of the necessity of balance and not allow those who are guided by short-time monetary considerations, or by class hatred or emotional fears, to come into possession of the governors of our economic machinery. We must all recognize that the supreme economic objective is increased balanced abundance for the average home.

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