

IN DEFENSE OF THE BANKHEAD ACT

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Criticism, both vehement and fulsome, has been generously applied to the activities of the Agricultural Adjustment Administration. But the siren blasts of disapproval were sounded when the Bankhead Act was approved April 21, 1934 providing for the compulsory limitations of cotton production. The Agricultural Adjustment Act, approved May 12, 1933, providing only for "so-called" voluntary control was bad enough, the Bankhead Act closed and locked the lid of the production box. Nothing, according to the critics, could be more anti-social than the mass destruction of goods already in existence and the limiting of future production. The Bankhead Act is the unforgivable sin against a suffering humanity. The outlook, say the critics, is indeed a gloomy one.

In spite of all of these violent expletives, the activities of the Agricultural Adjustment Administration (AAA) both under the original act and those contemplated under the Bankhead and Kerr Acts may be justified. Hurriedly, it should be stated that some other way, and perhaps a better way from a social point of view, might conceivably have been devised and put into operation. That Congress could have devised a better way, considering our present economic structure, is indeed doubtful. Alternative plans do not fall, however, within the scope of this paper.

As a major criticism it has been charged that it is impossible for any nation to become prosperous by producing less and less. This statement, within certain limits, is correct. But it cannot be said that the voluntary or planned destruction of a good means less wealth for a nation. Economists who have attacked the Agricultural Adjustment Act and more particularly the Bankhead Act tend to forget, perhaps conveniently, their economics. *It is a well known fact, and one which is generally accepted, that it will not pay the individual producer nor indeed society to harvest a crop already produced which does not at least sell for enough to pay marketing costs.* To abandon or destroy a crop which will not pay even the marketing costs is not a waste but an economic gain to the individual as well as to society, as it preserves human and often other resources. And it must be admitted that in the summer of

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1933 there was considerable cotton which if harvested could not have been sold for a price sufficiently high to pay the harvesting and ginning costs. To say, therefore, that willful destruction, either planned or voluntarily conceived, is always uneconomical and anti-social, is unsound.

The second principle which may be laid down is that the production of a crop should not be undertaken (or permitted) when the anticipated return will not cover current operating costs, that is, the cost of seed, fertilizer, labor and such depreciation of equipment as may be reasonably charged to the current operation. To prevent or forestall the production of a crop under such economic conditions is obviously not a destruction of wealth but its preservation. The outlook for cotton in the summer of 1933 was not encouraging, and the previous four years had been disastrous ones for the cotton producer. The economic results as well as the outlook then justified some method of control. This was accomplished first by the destruction of a part of the 1933 crop and a reduction in the acres planted in 1934 as compared to 1933. Whatever may be the effect of the inflation of the currency on prices of cotton, it is evident that prices of cotton will be much higher in 1934 than they would have been without control. And land, labor and material resources have been saved.

Finally, it may be said that no crop should be produced, nor be permitted to be produced, which will not return an income sufficient to pay not only operating costs but overhead costs also. But to argue this point would involve a discussion of the nature of costs, the question of whether or not rent of land should be, either from the individual point of view or from a social point of view, considered a cost, or that profits, the return to the entrepreneur for his part in this scheme of production, should be considered a legitimate part of the cost of production. To consider these complex problems would be to increase the length of this paper and arrive perhaps at no particular place. It can be said, however, that it is neither the purpose nor the intent of the AAA, either under the original act or the Bankhead Act, to enhance the price of cotton or any other produce to the point where excessive rents and profits will accrue to their producers. Indeed this would, except in a few instances, be an impossible task to perform. All that can be hoped for is a restriction in production so that the price of agricultural products will yield to the marginal producer a reasonable wage and other operating costs. This will mean, no doubt, rent and indeed some profits to a few producers, but these returns will not be large nor should we view the prospects with alarm.

The critics of the AAA emphasize the danger of losing our foreign markets if prices are unduly enhanced. In the case of cotton this fear is not well founded. It should be remembered that the Bankhead Act is simply an emergency measure. Congress has specifically limited the life of the Act to two years, and its continued life will be possible only under conditions such as exist today. If this be true, there is no particular fear that the foreign markets will be lost to producing areas outside the United States where evidently present prices are not high enough to induce cotton

production. To state seriously that the United States is in grave danger of losing its foreign markets for cotton because of the Bankhead Act is to assume that Congress would deliberately permit compulsory control to continue after cotton prices had risen to a point where unusual production would be undertaken by foreign countries. The Bankhead Act is a creature of Congress and may be destroyed or continued at its will. In no sense does the Act constitute a Frankenstein which will remain a constant menace to its creator.

A more serious criticism, and one which has been tacitly referred to, is that the Bankhead Act provides a means of benefiting one class at the expense of another. As already pointed out, this is not the purpose either of the Act nor that of Congress when it passed the Act. It was the intent of Congress to assist an economic class that has been suffering for a period of ten years or longer, and it took about the only course, considering the nature of our economic structure, that could be adopted. Proof of partiality would be difficult. The solution of the problem of class equality does not lie solely within the power of Congress. The only way, other than the one adopted by Congress, in which the condition of the agricultural classes could have been improved would have been for Congress to have attempted a program of speeding up industrial production, thus providing more industrial outputs to be exchanged for existing agricultural products. But this task would involve a nice problem of deciding in which industries or units of an industry this could be done without economic loss. We have here the problem, as in agriculture, of obtaining at least the operating costs; otherwise there would be no economic gain to society. It might be argued that an industry could be speeded up even if the goods produced would not bring the owner a price sufficient to pay the operating costs. But this could be considered only a temporary expedient and in no sense an ultimate and final solution of the problem.

It can be concluded, then, that the economic program of the AAA, as reinforced by the Bankhead Act, cannot logically be charged with destruction of wealth. In fact, the program may be logically viewed as preserving our human and economic resources. True, it has increased certain problems such as that of the unemployed cotton tenants and croppers. But to argue that these unemployed tenants and croppers should be used to produce uneconomically is unsound. The unemployed tenants and croppers constitute a related but rather distinct problem which must be solved by transferring, if possible, these submarginal producers into other types of economic employment. If this cannot be done, then they must be supported, at least in part, out of revenues received from taxation.

The AAA program and the Bankhead Act must be judged on the issue of whether or not agricultural production can be adjusted so that our agricultural resources, including land, labor and equipment, will be used more economically. A close study of the facts indicate that this is in course of accomplishment.