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Export, Die, or Subsidize: The International Political Economy of American Agriculture, 1875–1940

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The agricultural policies of the New Deal persist to the present day and are a particularly important turning point in the history of the American farm sector. In the period from 1875 to 1940, agricultural policy evolved from a strategy of exporting the domestic surplus, to shrinking production through attrition in the farm population, to subsidizing production and restricting acreage. Although rooted in farm demands upon the political process, this evolution was ultimately driven by both foreign demand and the alternative employment opportunities available to American farmers.

While the variables of foreign demand and alternative employment opportunities may be familiar to sociologists and agricultural economists who have studied this period, and certainly to contemporary observers and policy makers acutely aware of their importance,[1] they have not been integrated into a unified framework for explaining agricultural policy, nor have they found their way into recent studies of the politics of American agriculture. This is particularly clear in the case of foreign demand. For instance, Grant McConnell's *The Decline of Agrarian Democracy,* a classic study of the rise of the Farm Bureau and the organization's role in the formulation of agricultural policy, does not contain a single reference to agricultural developments outside the United States or even to the trade balance of American farmers. Similarly, an important essay by Kenneth Finegold treats the international market as a context but not determinant of policy.[2]

Earlier drafts of this paper were presented at the 27th Annual Convention of the International Studies Association, 25–29 March 1986, Anaheim, CA; and the 1986 Annual Meeting of the American Political Science Association, 28–31 August, Washington, D.C. I am grateful to David Balaam, Jeffry Frieden, Jeffrey Hart, Wendy K. Lake, Karen Orren, Robert Paarlberg, and Michael Wallerstein for comments. I would also like to acknowledge the research assistance of Scott James and Bess Karadenes and the financial support of the Academic Senate of UCLA.

[1] See Edward L. and Frederick H. Schapsmeier, *Henry A. Wallace of Iowa: The Agrarian Years, 1910–1940* (Ames: Iowa State University Press, 1968); and Gilbert C. Fite, *George N. Peek and the Fight for Farm Parity* (Norman: University of Oklahoma Press, 1954).

[2] Grant McConnell, *The Decline of Agrarian Democracy* (Berkeley: University of California Press, 1953); Kenneth Finegold, "From Agrarians to Adjustment: The Political Origins of New Deal Agricultural Policy," *Politics and Society,* 11:1 (1982), 1–27.

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Like most studies, this paper builds upon the importance of the agricultural crisis. I also focus on the role of interest group pressure.[3] Instead of treating agricultural interests as given, or deriving them in an *ad hoc* manner, however, I seek to develop a framework that can explain, in a systematic fashion, what farmers will demand from government and, more importantly, what they will get.

I. AN ANALYTIC FRAMEWORK FOR EXPLAINING AGRICULTURAL POLICY IN A DOMESTIC-SURPLUS-PRODUCING COUNTRY

The United States has been and is a surplus producer of agricultural products. In other words, supply typically exceeds domestic demand at a price level remunerative to farmers.[4] This condition of oversupply, a plague on American agriculture for over a century, is the starting point for the analytic framework developed here.

Within a condition of oversupply, three nonexclusive processes exist through which per capita farm income can be maintained or expanded: increase exports, reduce the number of agricultural producers, or subsidize and restrict production. These three processes set the basic parameters of agricultural interests and government policy.

Increase Exports. Increased exports of surplus agricultural commodities reduce supply relative to domestic demand, raise prices, and increase farm income. Export levels are fundamentally determined by the availability or demand of foreign markets. Foreign demand, in turn, depends on national comparative advantage (which the United States has enjoyed), macroeconomic conditions, and government policy. As a result of real and potential government intervention in global agricultural markets, the ability of any country to export its surplus cannot be taken for granted. Agricultural exports are thus contingent upon the policies of other states and only partially under the control of the surplus producing country.

Reduce the Number of Agricultural Producers. The agricultural surplus can also be controlled, and per capita farm income maintained, by reducing output through attrition in the number of individual agricultural producers. Even if the surplus remains, existing revenues will be divided among a smaller

[3] See, for instance, Ross B. Talbot and Don F. Hadwiger, *The Policy Process in American Agriculture* (San Francisco: Chandler Publishing, 1968); Christiana M. Campbell, *The Farm Bureau: A Study of the Making of National Farm Policy, 1933–1940* (Urbana: University of Illinois Press, 1962); and Trudy Huskamp Peterson, *Agricultural Exports, Farm Income, and the Eisenhower Administration* (Lincoln: University of Nebraska Press, 1979).

[4] In the absence of artificial restraints, supply cannot exceed demand; if supply increases more rapidly than demand, prices will simply decline. By oversupply or surplus, I mean that supply is too large relative to domestic demand to sustain a price that makes farming profitable under current factor endowments and technology. The condition of oversupply in the United States was originally generated by many factors, including strong foreign demand for United States products as well as the perceived attractiveness of farm life.

number of farmers. Moreover, domestic demand may also increase, albeit marginally, as a result of displaced farmers who are no longer planting for their own needs.[5]

The rate of migration from farm to city is affected by many factors. Most important, the greater the level of national prosperity and alternative means of employment, the more rapid the flight from the farm will be.[6] The almost universal evolution toward a smaller agricultural sector in the process of economic development, and the movement from farming to manufacturing, can also be impeded or facilitated by government intervention: increased exports or a domestic subsidy program will slow the shrinkage, standardized or technical education will enhance labor mobility, and improvements in the quality of rural life, through such programs as rural electrification or free rural postal delivery, will reduce the attractiveness of the cities.

Subsidize and Restrict Production. Finally, per capita farm income can also be maintained or increased through direct public subsidies. These can take many forms, including minimum price guarantees; direct compensation per capita, unit of output, or acre in use; export subsidies; or, trade protection, when—for perverse reasons—the surplus-producing country confronts increased imports. As subsidies tend to increase production and may actually increase the agricultural surplus, they are typically coupled with mandatory production controls so as not to bankrupt the public treasury.[7]

For farmers, these three processes—while potentially equivalent in their per capita income effects—contain clear trade-offs. Through subsidies, farm-

[5] There is a natural tendency for the farm population to decline as countries industrialize. As cities and manufacturing sectors grow, labor is attracted away from agriculture. Simultaneously, the remaining farmers may begin to employ more intensive agricultural techniques, thereby increasing their productivity. Up to a point, this process is self-generating; shrinkage induces improvements in productivity, which, in turn, displace additional farmers.

[6] The process of shrinking output through population attrition clearly has differential effects within the farm sector. For the remaining more efficient and more competitive farmers, the agricultural surplus will be smaller and incomes, for them, correspondingly higher. For these lucky farmers, this is a route to relative prosperity. There are considerable private and social costs—related to the state of the macroeconomy—for the farmers who are dislocated. If alternative means of employment for these farmers are scarce, their incomes may fall dramatically. In addition, while the incomes of the remaining farmers will be enhanced, the income of the agricultural sector as a whole may actually be reduced.

[7] To succeed, production controls must be mandatory. Under typical conditions, farmers will not voluntarily agree to restrict production to reduce surpluses. Voluntary restrictions confront a classic large-*n* prisoners' dilemma: each farmer prefers to maintain production, while others reduce theirs, even though all farmers would gain from cooperation. As a single farmer's cutbacks cannot appreciably affect the surplus, while reducing output, if others do not, can spell bankruptcy, the temptation to defect is overwhelming. If a farmer believes others are reducing their production, he will increase his own. Thus, mandatory restrictions are necessary to impose cooperation. Even here, the incentives to cheat are high. Farmers therefore require minimum price supports or direct cash subsidies, which act as a form of income insurance against cheaters, as the price of their compliance with mandatory crop restraints. Subsidies and mandatory production restraints, then, are mutually reinforcing. Restraints are necessary to limit payments to farmers; subsidies are required to gain farm compliance with reduced productions levels.

ers can ensure stable prices for their crops. With additional political pressure, farmers can also push the subsidy/price level upwards over time. The benefits of subsidies, however, must be offset by each farmer's share of the social deadweight (efficiency) loss created by the resulting market distortions and, more importantly, by the costs of organizing and engaging in political action. By increasing exports, farmers face neither these benefits nor costs, as prices and incomes are a function solely of domestic and international demand relative to supply. To the extent that some government aid to open foreign markets is necessary, but not forthcoming, farmers may also have to bear the costs of political action. During periods of high foreign demand, the net benefits of subsidies are reduced relative to exports. In such periods, increased exports may well be preferred over subsidies despite the latter's income-stabilizing effect. Attrition, or per capita income increases through the reduction of the farm population, must be weighted by the higher probability and costs of unemployment and the wage differential between the agricultural and manufacturing sectors. In periods of expanding nonagricultural demand for labor, farmers may be indifferent regarding shrinkage and the competing processes. When alternative employment opportunities are lacking, the relative benefits of subsidies and exports increase.

Politicians face a different set of incentives. Assuming they want to be reelected, and are therefore responsive to their constituents,[8] politicians often face a trade-off between the political support of farmers, on the one hand, and consumers and the general welfare, on the other. Political support, in turn, is a function of (a) the political and electoral importance of each group, and (b) policy efficiency and transparency. The first consideration varies by constituency. Legislators from rural, agricultural districts will tend to support farmers, while their counterparts from urban, manufacturing districts will be more responsive to consumers. Facing a national electorate, executive branch officials are more likely to be concerned with the general welfare. The second consideration is less straightforward. In general, the larger the deadweight losses to society from a particular policy, the greater will be the political opposition to that policy.[9] Few will be mobilized to oppose a policy if the deadweight losses it generates are small. Many more will be stimulated by greater inefficiencies. Likewise, the more transparent the policy—or the more readily citizens can identify the costs of a specific government initiative—the greater is the likelihood that individuals will organize to oppose it.

Exporting the agricultural surplus introduces the fewest distortions or inefficiencies into the market and is the least transparent of the alternatives. As a

[8] David Mayhew, *Congress: The Electoral Connection* (New Haven: Yale University Press, 1975).

[9] Gary S. Becker, "A Theory of Competition Among Pressure Groups for Political Influence," *The Quarterly Journal of Economics*, 98:3 (August 1983).

result, when foreign demand is high, or when the costs of further opening foreign markets is low, exports will be preferred by most political leaders. Reducing the number of agricultural producers is also relatively efficient and nontransparent. While it is also effective at maintaining incomes of the remaining farmers, it may reduce the incomes of dislocated farmers. During periods of rapid growth in alternative employment opportunities, the disparity between exports and shrinkage will be reduced and politicians may be indifferent between them. During periods of lagging growth, exporting the agricultural surplus will be superior. Finally, subsidizing the farm sector is the least efficient and most transparent means of maintaining farm income. While effective at expanding individual and gross farm incomes, subsidies are likely to generate the greatest deadweight losses and, consequently, the largest political opposition. When foreign demand is high, exports will typically be preferred by politicians over subsidies. During periods of expanding nonfarm employment, shrinking the agricultural sector will also be preferred to subsidies. In periods of slower growth, the disparity between the second and third processes will be reduced, and politicians may be indifferent between the two.

In summary, the three processes identified above set the broad parameters of farm interest, agrarian conflict, and agricultural policy in a surplus-producing country. Within these parameters, the trade-offs faced by farmers and politicians and their respective preferences are influenced by two common variables: foreign demand and alternative employment opportunities.

II. AMERICAN AGRICULTURAL POLICY, 1875–1940

During the last quarter of the nineteenth century, a period in America of falling agricultural prices and expanding farm production and population, exports were used as the primary instrument for controlling the increasing domestic surplus. After the turn of the century, domestic demand began to rise faster than supply, pushing prices up to historically unprecedented levels. Following World War I, America's export markets closed under renewed European protectionism and increased international competition. Facing huge domestic surpluses, farmers advocated a program of indirect subsidies and export dumping. Although they granted increased tariffs for agricultural goods, the latter demand was resisted by several consecutive conservative Republican administrations. Facilitated by relatively vibrant growth in the industrial sector, attrition emerged as the dominant political response. Finally, both exports and the domestic economy contracted sharply beginning in 1930. Despite falling agricultural prices and exports, high industrial unemployment actually reversed the population flow, increasing the number of active farmers. In this environment, an extensive subsidy program was the only viable alternative. Farm interests and government policy in each of these phases are examined in turn.

TABLE 1

Population Trends, 1870–1940
(in thousands)

Year	Total Population	Percentage Change	Rural Population	Percentage Change	Urban Population	Percentage Change
1870	39,905	—	28,656	—	9,002	—
1880	50,262	25.9	36,026	25.7	14,130	42.7
1890	63,056	25.4	40,841	13.4	22,106	56.4
1900	76,094	20.7	45,835	12.2	30,160	36.4
1910	92,407	21.4	49,973	9.0	41,999	39.2
1920	106,461	15.2	51,553	3.2	54,158	28.9
1930	123,077	15.6	53,820	4.4	68,955	27.3
1940	131,954	7.2	57,246	6.4	74,424	7.9

SOURCE: U.S. Bureau of the Census, *Historical Statistics of the United States* (Washington, D.C.: U.S. Government Printing Office, 1975), Series A 6–8 and A 57–72.

TABLE 2

Labor Force Trends, 1870–1940
(in thousands)

	Agricultural Labor Force		Nonagricultural Labor Force		
Year	Total	Percentage Change	Total	Percentage Change	Ratio
1870	5,552	—	5,118	—	.92
1880	7,119	28.2	7,626	49.0	1.07
1890	8,379	17.7	10,934	43.4	1.30
1900	9,404	12.2	14,350	31.2	1.53
1910	10,582	12.5	19,510	36.0	1.84
1920	9,583	−9.4	23,482	20.4	2.45
1930	9,562	−0.2	28,516	21.4	2.98
1940	7,887	−17.5	26,005	−8.8	3.30

SOURCE: U.S. Bureau of the Census, Series D 11–25.

The Era of Agrarian Militancy, 1875–1900

In the years between the Civil War and the turn of the century, America's domestic agricultural surplus increased dramatically. Between 1870 and 1900, the total population of the United States grew by 91 percent, the urban population increased by 235 percent (Table 1), and the nonagricultural labor force expanded by 180 percent (Table 2). While increases in the rural popula-

tion and agricultural labor force were smaller, at 60 and 69 percent respectively, the number of farms in existence more than doubled from 2,659,985 to 5,737,372. Similarly, farm acreage rose by 106 percent (Table 3). Farm output, on the other hand, increased even more rapidly. Corn output rose by 137, wheat by 136, cotton by 133, and tobacco by 147 percent. This increased production far exceeded the growth in total population and domestic demand. Thus, despite the growth of the industrial, urban economy, the domestic agricultural surplus grew steadily larger. These economic fundamentals determined the character of agrarian–state conflict in the decades following the Civil War.

The last quarter of the nineteenth century is often considered a period of extreme agrarian militancy.[10] Previously constituting the vast majority of the American population, farmers now saw their interests threatened in a political system increasingly penetrated by manufacturers, urban workers, and big city machine bosses.[11] In conjunction with the general deflation of the first "Great Depression" (1873–96) this challenge to the political hegemony of agriculture was an important stimulus to political action. Farmers organized outside of the established political parties and into such organizations as the Grange, Agricultural Wheel, Southern and Northern Alliances, and the short-lived but nonetheless important Populist or People's party. Despite this apparent militancy, farm demands were essentially conservative in nature.

Farmers focused on three central policy issues: railroad regulation, cooperative marketing, and monetary reform. The growth of the railroad opened up new areas of settlement and allowed farmers to move their crops to market more quickly and cheaply than ever before. Despite its benefits, the railroad system was at best an unregulated oligopoly and, in many areas of the country, a voracious monopoly. On long haul routes, several competing lines often existed, and rates were relatively low; competition was limited on local or short haul routes, on the other hand, and rates were typically higher. Also railroads often owned the local grain elevator or cotton warehouse and engaged in less than scrupulous business practices, at the farmers' expense. Much of the agrarian political activity in this period was directed at increasing competition in the railroad industry or—when this could not be effectively achieved—regulating railroad rates and practices. The federal government ignored such demands, leaving it to the states to pass the first regulations. Not until after the turn of the century did the central government begin to play an important role in railroad regulation.

Farmers also faced local oligopolies or monopolies when selling their produce and purchasing their inputs. This problem was compounded by the

[10] Among others, see Lawrence Goodwyn, *The Populist Moment: A Short History of the Agrarian Revolt in America* (New York: Oxford University Press, 1978).

[11] Murray R. Benedict, *Farm Policies of the United States, 1790–1950* (New York: Twentieth Century Fund, 1953), 94.

TABLE 3

Agricultural Land and Production, 1870–1940
(in thousands)

	Year							
	1870	*1880*	*1890*	*1900*	*1910*	*1920*	*1930*	*1940*
Total								
Acres	407,735	536,082	623,219	841,202	881,431	958,677	990,112	1,065,114
Percentage change	—	31.5	16.2	35.0	4.8	8.8	3.3	7.6
Corn								
Acres	38,388	62545	74,785	94,852	102,267	101,359	101,465	86,429
Percentage change	—	63.0	19.6	26.8	7.8	−0.8	0.1	−14.8
Production[a]	1,125	1,707	1,650	2,662	2,853	3,071	2,080	2,457
Percentage change	—	51.7	−3.3	61.3	7.2	7.6	−32.3	18.1
Wheat								
Acres	20,945	38,096	36,686	49,203	45,793	62,358	62,637	53,273
Percentage change	—	81.9	−3.7	34.1	−6.9	36.2	0.4	−14.9
Production[a]	254	502	449	599	625	843	887	815
Percentage change	—	97.6	−10.6	33.4	4.3	34.9	5.2	−8.1

Cotton								
Acres	9,238	15,921	20,937	24,886	31,508	34,408	42,444	23,861
Percentage change	—	72.3	31.5	18.9	26.6	9.2	23.3	−43.7
Production[b]	4,352	6,606	8,653	10,124	11,609	13,429	13,932	12,566
Percentage change	—	51.9	31.0	17.0	14.7	15.7	3.7	−9.8
Tobacco								
Acres	424	650	851	1,086	1,398	1,935	2,124	1,410
Percentage change	—	53.3	30.9	27.6	28.7	38.4	9.8	−33.6
Production[c]	345	469	648	852	1,142	1,509	1,648	1,460
Percentage change	—	35.9	38.2	31.5	34.0	32.1	9.2	−11.4

[a]Million bushels
[b]Thousand bales
[c]Million pounds
SOURCE: U.S. Bureau of the Census, Series K 1–16; and K 502–516.

seasonal nature of farming. Normally short of cash and heavily indebted, farmers would simultaneously rush their crops to market and, in doing so, drive down prices. Cooperative marketing and, to a lesser extent, purchasing were advocated by several farm organizations as a solution to both of these market problems. Cooperatives would not only enhance the power of farmers relative to other buyers and sellers in the market, but farmer-owned grain elevators, for instance, could be used to store crops for release later in the year when prices were higher.

The most politicized issue of the late nineteenth century was monetary reform. After the Civil War, the amount of currency in circulation fell rapidly with the retirement of "Greenbacks" and regular government budget surpluses. With currency shortages pushing prices down, while debts remained constant, farmers began to argue strenuously for reflation and—in an alliance with the owners of western silver mines—free coinage of silver. The Bland-Allison Act of 1878 began limited coinage of silver at a ratio to gold of 16 to 1. The Sherman Silver Purchase Act of 1890 increased the purchase of silver and the issuance of gold- or silver-backed Treasury notes. A heavy drain on the country's gold reserves followed, and President Grover C. Cleveland led the fight for repeal of the Sherman Act in 1893. The silver issue was, of course, central to the McKinley–Bryan campaign of 1896, but was largely silenced by the latter's defeat and the return of prosperity in 1897.

By comparison with later periods, farm demands in the late nineteenth century were actually quite modest and conservative. Through railroad regulation and cooperative marketing, farmers sought to enhance the market by either breaking up concentrations of economic power or creating off-setting powers of their own. Even in the area of monetary reform, farmers did not advocate overturning the market, but simply called upon the government—in its proper role as regulator of the money supply—to issue more currency to counteract the widespread deflation then occurring.

Furthermore farmers and government leaders concurred on many issues, particularly on those relating to export expansion. Often hampered by inadequate export facilities, farmers backed federal and state efforts at port and canal construction.[12] Throughout the 1880s and 1890s, Europeans attempted to place health and sanitary restrictions on livestock exported from the United States. Farmers supported the vigorous opposition of the government to such policies. They also backed the first inspection legislation enacted in 1884 in response to declining exports to Great Britain.[13] Farmers were split on the general issue of trade protection. Southerners opposed the tariff, as they had

[12] See Tom E. Terrill, *The Tariff, Politics, and American Foreign Policy, 1874–1901* (Westport: Greenwood Press, 1973), 18; and William Appleman Williams, *The Roots of the Modern American Empire: A Study of the Growth and Shaping of Social Consciousness in a Marketplace Society* (New York: Random House, 1969), 106.

[13] Benedict, *Farm Policies*, 133.

done for decades before the Civil War, and midwestern and northern farmers generally supported it—apparently convinced by the forceful argument (perhaps not without merit) that domestic economic growth was best encouraged by trade protection. Yet, nearly all farmers supported government efforts undertaken in the early 1890s to use selective tariff reductions as a means of expanding exports in general and agricultural exports in particular to Latin America.[14]

In this era of expanding production and growing surpluses, exports provided a much needed "safety valve" for agriculture. As Murray R. Benedict notes, "Production increases of [the magnitude experienced between 1870 and 1900] would have been completely disastrous in their price effects had it not been for the huge and growing market in western Europe."[15] Between 1870 and 1900, agricultural exports rose from $349 million to $1,277 million (constant 1913 dollars), a startling 266 percent increase (see Table 4 and Figure 1). The single largest agricultural trade surplus was achieved in 1898, when exports exceeded imports by $1,036 million.[16] Exports as a share of total agricultural production also increased over this period. Wheat exports, in particular, increased from 16 percent of production in 1870, to 20 percent in 1900. Despite a minor decline, cotton exports also remained high, with 66 percent of the output being sold abroad in 1870 and 65 percent in 1900.[17]

Although the counterfactual is unknowable, it would appear that farm demands and the need for greater governmental intervention were restrained by high and growing agricultural exports. The foreign outlet for agriculture's growing surplus enabled both the number of farmers and acreage to expand twofold without even more severe price decreases and without any radical change in policy. Decades later, when this foreign outlet was no longer available, the political agenda of agriculture was transformed.

The Golden Age of Agriculture, 1900–1914

The period from 1900 to 1914 was the *golden age* of American agriculture. During this era the number of farm workers reached its peak (Table 2). Farm acreage and output continued to increase, but at a substantially lower rate than in the last quarter of the nineteenth century (Table 3).[18] With population growth rates holding steady at between 20 and 25 percent per decade (Table 1), domestic demand began to rise faster than supply. As a result, the domes-

[14] See David A. Lake, *Power, Protection, and Free Trade: International Sources of U.S. Commercial Strategy, 1887–1939* (Ithaca: Cornell University Press, 1988), ch. 3.

[15] Benedict, *Farm Policies,* 85.

[16] Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States* (Princeton: Princeton University Press, 1963), 157.

[17] Benedict, *Farm Policies,* 85.

[18] With the closing of the frontier and the expansion of urban centers, land values also began to climb, increasing the net worth of farmers and enabling them to borrow more easily in times of crisis or for improvements.

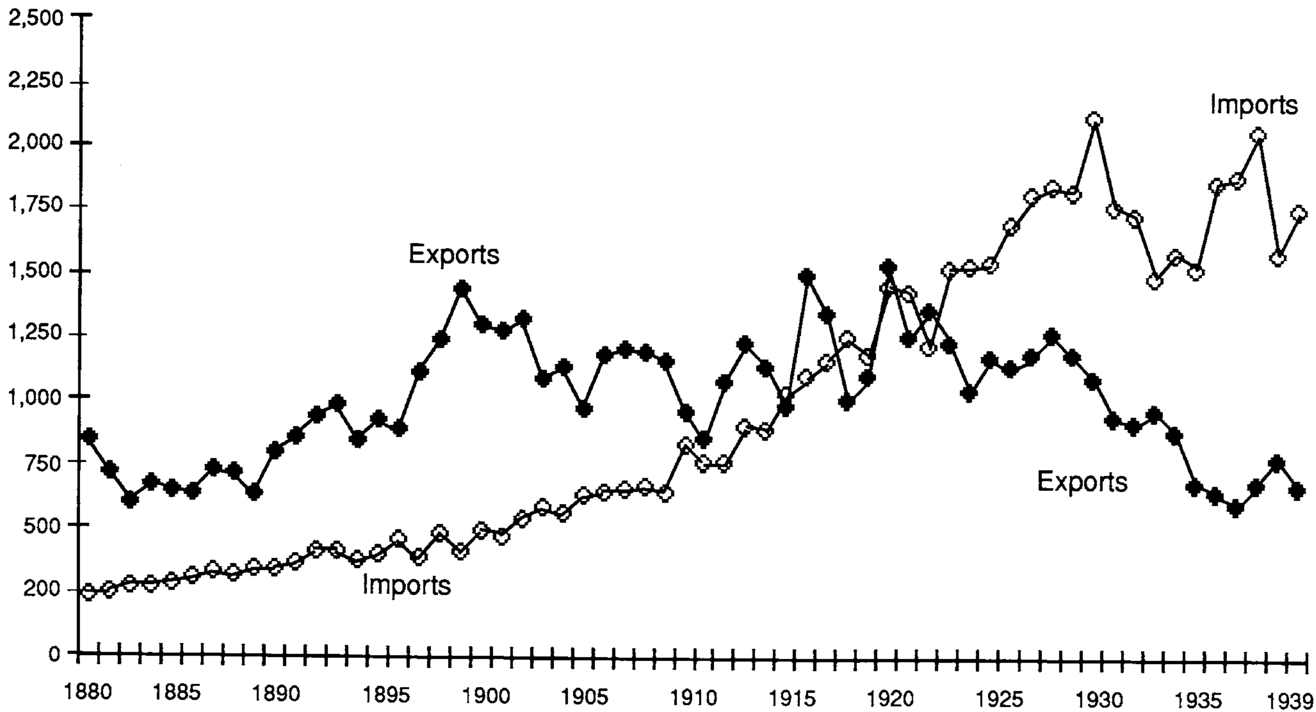

FIGURE 1. U.S. Agricultural Trade, 1880–1939 (in millions of constant 1913 dollars).

TABLE 4
Agricultural Trade, 1870–1940
(in millions of dollars)

	Agricultural Exports		*Agricultural Imports*	
Year	*Current Dollars*	*Constant 1913 Dollars*	*Current Dollars*	*Constant 1913 Dollars*
1870	330	349	—	—
1880	747	848	308	244
1890	639	861	382	369
1900	910	1,277	414	476
1910	926	856	775	765
1920	3,441	1,256	3,241	1,434
1930	1,201	938	1,469	1,775
1940	517	495	1,285	1,963

SOURCE: Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States* (Princeton: Princeton University Press, 1963), 157–58.

tic agricultural surplus was reduced, and farmers became less dependent on foreign markets. In fact, agricultural exports actually fell by 33 percent in real terms between 1900 and 1910, while imports climbed by 61 percent (Table 4).

As the surplus all but disappeared, agricultural prices enjoyed a rapid upward movement, increasing by 52 percent in ten years. Industrial prices, on the other hand, rose more slowly. A dollar of farm output could now purchase a greater quantity of manufactured goods than ever before. Farmers believed that in the years 1910–1914, agricultural and industrial prices had finally reached a natural and just equilibrium. This highly beneficial balance was later dubbed "parity," the condition that nearly all subsequent agricultural policies were designed to restore. As in the previous phase, these economic conditions set the parameters of agrarian conflict and public policy.

The declining surplus and higher agricultural prices transformed the nature of agrarian politics. Farmers substantially reduced their political agitation and once again began to work within the existing party system. Other groups in society generally shared the political issues that now motivated farmers: meat inspection, control of the food and drug industries, direct election of senators, and elimination of monopolies and trusts. Agricultural issues were narrow in scope, including rural parcel post delivery, retention of the tax on oleomargarine, and defeat of the Canadian Reciprocity Treaty negotiated by

President William Taft, but never ratified by Canada. In short, with favorable economic conditions, agrarian conflict was defused, and public debate focused on essentially technical and relatively depoliticized issues.

Outside of the general trusts and regulatory issues, there were two important sets of government policies during this period. First. the government expanded its educational activities, creating the County Extension Service. Farm Bureaus, private organizations of farmers that often maintained a formal and legal relationship with the service, were also created during this period.[19] These developments not only improved the state of technical knowledge among farmers but also provided the organizational basis for future agrarian political activity. Second, the government sought to maintain access for American exporters to the increasingly protected markets of continental Europe.[20] Through bilateral reciprocity in the Dingley Act of 1897 and maximum–minimum schedules in the Payne-Aldrich Tariff of 1909, the United States threatened to restrict access to the American market, if European tariffs continued to discriminate against American exports—of which agriculture was the most important component. In addition, government inspection was extended to the meat-packing industry, largely in response to new health and sanitary restrictions in Europe.

During the golden age of agriculture, the farm surplus appeared to be correcting itself through higher levels of domestic demand. Farm income was expanding with a slow-growing and later stable agricultural population. Exports were the focus of government attention, but of declining real importance to farmers. The golden age was soon disrupted by the outbreak of World War I.

Vain Worship of the Golden Image, 1914–30

Increased European wartime demand for agricultural products did not significantly expand American production; poor harvests in 1916 and 1917 and then America's own war mobilization kept production at low levels. Foreign demand, on the other hand, increased dramatically. With restrained production, agricultural prices soared. From a base of 100 in 1910–14, prices peaked at 221 in 1919. Rising prices touched off a wave of speculation in agricultural land, with the value of farm land and buildings rising from $35 billion to $66 billion between 1910 and 1920. Farmers, in turn, used the increased value of their land to increase their indebtedness, borrowing heavily to purchase new machinery in an effort to compensate for the wartime labor shortage.[21]

Farmers recognized the short-term nature of the war-led boom. Nearly

[19] Campbell, *Farm Bureau,* 3–7.
[20] See *Lake, Power, Protection, and Free Trade,* ch. 4.
[21] Fite, *George N. Peek,* 10; Benedict, *Farm Policies,* 168–69.

everyone expected prices to drop with the signing of the armistice. Yet Europe's devastation and the continued high demand for American agricultural products kept prices high. When the expected fall in prices did not arrive, farmers mistakenly came to believe that a long-term change had indeed occurred. Expectations rose, and a second wave of land speculation and farm borrowing was set in motion.[22]

The expected fall in prices, however, was only delayed. From a high of 221 in 1919, agricultural prices fell only to 211 in 1920. Then, in 1921, prices dropped to 124, signaling the beginning of the postwar agricultural depression. While prices remained nominally higher than before the war, by the spring of 1921 the purchasing power of farm products in terms of nonfarm products had fallen to 63 percent of its prewar average.[23]

The war also stimulated agricultural production outside of the United States in Canada, Australia, and Argentina. When Europe returned to production in the early 1920s, assisted in many cases by new agricultural tariffs, a global surplus of farm products was created, and world prices fell. As prices declined both at home and abroad, foreign agricultural products—aided by drastically depreciated currencies—appeared relatively cheaper. American agricultural imports exceeded exports for the first time in the country's history in 1923 and in every year between 1925 and 1939 (Figure 1). The United States was now a net agricultural importer. American farmers confronted declining trade balances even in areas of traditional export strength (Table 5). Between 1920 and 1930, the balance of trade in meat and dairy products fell by $365 million, while the cotton balance dropped by $526 million. Export quantities followed a similar pattern. For instance, between 1921–25 and 1930, meat exports declined from 839 million to 360 million pounds.

The inability of farmers to export their surplus production after 1920 fundamentally altered the nature of agrarian political conflict and the debate over government policy. When imports rose by 87 percent, in real terms, between 1910 and 1920 (Table 4), farmers—previously ambivalent on the tariff—moved solidly into the protectionist coalition. They were welcomed by protectionists in the Republican party and rewarded with substantially higher and, for the first time, effective duties on the entire range of agricultural products in the Emergency Tariff Act of 1921 and the Fordney-McCumber Act of 1922.[24] Whatever benefit these higher duties provided was at least partially offset by increased tariffs on manufactured items, which the protectionists were able to push through Congress with new farm support. Nonetheless, farmers began to enjoy their first indirect and, compared to other forms

[22] Benedict, *Farm Policies,* 169.

[23] *Ibid.,* 168–72.

[24] See Frank W. Taussig, *The Tariff History of the United States,* 8th ed. (New York: G. P. Putnam's Sons, 1931); and Theodore Saloutos and John D. Hicks, *Agricultural Discontent in the Middle West, 1900–1939* (Madison: University of Wisconsin Press, 1951).

TABLE 5

Agricultural Trade Balances, by Selected Principal Export Commodities, 1875–1940 (in thousands of dollars)

Year	Meat & Dairy[a]	Breadstuffs[b]	Tobacco (unmanf.)	Cotton[c] (unmanf.)
1875	76,197	101,088	21,517	190,230
1880	120,980	279,194	11,468	210,945
1885	105,502	150,691	15,724	201,008
1890	134,253	146,372	3,874	249,576
1895	133,222	108,316	11,053	200,087
1900	182,168	259,329	16,125	234,784
1905	164,762	101,686	11,762	370,342
1910	118,821	120,804	10,364	433,052
1915	250,384	505,711	31,440	391,133
1920	479,800	953,762	163,902	997,665
1925	243,800	325,554	82,323	1,006,977
1930	114,475	167,258	104,687	471,524
1935	11,073	−44,388	108,281	383,845
1940	25,943	61,944	7,323	202,770

[a]Includes animal fats and oils.
[b]Includes rice.
[c]Includes cotton linters, waste, and flocks.
SOURCE: *Statistical Abstract of the United States* (Washington: Government Printing Office), 1880, Tables 114 and 116; 1890, Tables 122 and 124; 1900, Tables 42 and 44; 1910, Tables 215 and 217; 1921, Tables 308 and 310; 1928, Tables 504 and 505; 1931, Tables 548 and 549; 1939, Tables 558 and 559; and 1941, Tables 602 and 603.

which such transfers can take, relatively nontransparent government subsidies.

Throughout the 1920s, farmers sought, to use a slogan popular during the era, to "make the tariff work for agriculture." As the decade progressed, they increasingly supported a proposal for raising domestic prices and dumping surplus crops on international markets. Known as McNary-Haugen, after its two principal legislative sponsors, the plan was first developed by George Peek and Hugh Johnson of the Moline Plow Company. Although introduced into Congress in five distinct versions between 1924 and 1928, the core of the plan remained the same. Under McNary-Haugen, domestic agricultural prices would be set at *parity* to industrial goods on the basis of prices obtained between 1910 and 1914. The government would purchase agricultural goods when prices fell below this parity level and make these same goods available to anyone who wanted to buy them at the parity price. As the new domestic

price would be higher than the prevailing international market price, agricultural imports would be restricted through tariff protection. The expected agricultural surplus would be sold on world markets for whatever price it could bring; the losses incurred would be spread evenly over all producers through an "equalization fee." In short, McNary-Haugen envisioned an expanded indirect subsidy for domestic agriculture by restricting imports and legislating a floor price at the parity ratio. Surplus crops would be dumped on international markets and the cost borne by the farmers themselves. McNary-Haugen was, in its simplest form, a combination of the export and subsidy programs outlined above.

When it was first introduced, farm groups were split on McNary-Haugen. The South, for instance, felt that it would bear an unfair share of the equalization fee. The newly dominant American Farm Bureau Federation only weakly supported the bill, perhaps because it had not originated the plan itself.[25] By 1927, on the other hand, differences had been resolved by fine-tuning the bill and publicizing the plan more vigorously.[26] Declining cotton prices also enhanced Southern support for the proposal. Congress passed the fourth version of the bill in 1927, which was then vetoed by President Calvin Coolidge. A fifth version, rectifying the problems identified by Coolidge, was passed in 1928, only to be vetoed again.

The Coolidge administration opposed the McNary-Haugen bill for several reasons. First, Coolidge charged, in his 1927 veto message, that the plan was ultimately unworkable. Exports were already declining, and the costs of the dumping program to the farmers would be too high. More importantly, the bill did not contain, and supporters refused to countenance, any provision for restricting agricultural production.[27] As the plan would provide incentives for increased production, yet contained no means of limiting the surplus, Coolidge feared the bill would create a growing and endless drain on the public treasury.

A second, and more fundamental reason was that Coolidge—believing in the future of an industrial America—did not desire to reverse the declining terms of trade between agriculture and manufacturing.[28] This concern was articulated most bluntly by Secretary of the Treasury Andrew W. Mellon. The effect of the bill, he stated,

> "will be to increase the cost of living to every consumer of five basic commodities. . . . We shall have the unusual spectacle of the American consuming public paying a bonus to the producers of five major agricultural commodities, with a resulting decrease in the purchasing power of wages, and at the same time contributing a subsidy to the foreign consumers, who under the proposed plan will secure American commodities at prices below the American level."

[25] See McConnell, *Decline of Agrarian Democracy,* and Campbell, *Farm Bureau.*

[26] Fite, *George N. Peek,* 169–84.

[27] *Ibid.,* 137.

[28] Schapsmeier, *Henry A. Wallace,* 104.

As a result, Mellon concluded, European workers could live more cheaply than Americans, and foreign industrial costs would be lower than those in the United States. Foreign competitors could then undersell American producers in both global and domestic markets.[29]

Rather than support the McNary-Haugen bills, Republican administrators supported more limited, and clearly ineffectual, forms of market intervention that would not "put the government in business." War Finance Corporation (WFC) credits, which had maintained Europe's purchasing power during World War I, expired in June 1919. With America's new position as a net creditor and its continued insistence on maintaining a balance-of-trade surplus, the expiration of WFC credits could only reduce agricultural exports. Under pressure from farmers Congress renewed these credits in December 1920. The bill was vetoed by President Woodrow Wilson and then passed over his veto in January 1921. Under conservative Republican leadership, which sought to rely primarily on private financial flows to Europe, the renewed WFC did not play an important role in financing American exports. Instead, it served primarily to provide domestic liquidity by taking over the frozen assets of failing banks in the agricultural regions.[30]

The government also sought to resuscitate agricultural exports as part of a larger strategy for stabilizing the European political economy. The principal instruments to accomplish this goal were the Dawes and Young Plans, which linked private finance and the successful resolution of outstanding European political conflicts.[31]

Finally, administration officials warmly supported and propagated proposals for voluntary agricultural cooperatives,[32] although at least Secretary of Commerce Herbert Hoover and Secretary of Agriculture William Jardine recognized that voluntary efforts would not succeed because of the free-rider problem.[33] Republican support for cooperatives was finally codified in the Agricultural Marketing Act of 1929, passed during the Hoover Administration. A budget of $500 million, the first direct federal subsidy to agriculture, was created to facilitate the formation and workings of several large cooperatives through which crops would be marketed. The act also permitted the formation of government-financed stabilization corporations to help control unusual surpluses.

By rejecting McNary-Haugen and supporting clearly ineffectual and insufficient policies, executive leaders throughout the 1920s adopted a de facto policy of shrinking the agricultural population to reduce the surplus. John H.

[29] Quoted in Fite, *George N. Peek*, 164.

[30] Benedict, *Farm Policies*, 179.

[31] For a good summary of the issues and policies involved in the American stabilization effort, see Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919–1933* (Chapel Hill: University of North Carolina Press, 1979).

[32] See Saloutos and Hicks, *Agricultural Discontent*, 290–91.

[33] Fite, *George N. Peek*, 135.

Rich of the Federal Reserve Bank of Minneapolis summarized the views of many critics of McNary-Haugen, stating that agriculture was undergoing a necessary "purging process involving the elimination of the unfit, the deflation of excessive land values, the collapse of credits built on an unsound basis, [and] the wiping out of farming operations on marginal lands."[34] By refusing to interfere with the "so-called inexorable fulfillment of economic laws," the flight from the farm was accelerated.[35] Between 1920 and 1930, over 5.4 million farmers—or approximately 18 percent of the agrarian population—migrated out of agriculture.[36] Between 1910 and 1930, the agricultural labor force as a whole shrank by nearly 10 percent (Table 2). Between 1920 and 1930, farm acreage grew more slowly than at any time in the past (Table 3).

Despite the reduction in the agricultural population, production levels continued to expand through the increased use of machinery, fertilizers, and pesticides. As a result, per capita farm income did rise considerably faster than total farm income, but the reduction in the number of agricultural producers did little to alleviate the underlying condition of agricultural surplus.

This reliance on shrinking the agricultural population by refusing to interfere with the market was facilitated by the relative prosperity of the industrial economy throughout the Roaring Twenties.[37] While the agricultural labor force shrank, the nonagricultural labor force boomed, increasing by 46 percent (Table 2). With the expansion of alternative employment opportunities, farm support for Republican candidates remained firm. Even though Coolidge and Hoover were closely associated with the dominant laissez-faire approach, and opposed by several important farm leaders, farmers strongly backed these Republican candidates in 1924 and 1928.[38]

While farmers were quite strident in their demands for McNary-Haugen, as a means for returning to the prosperity of the prewar golden age in an era of reduced foreign demand, executive-branch officials resisted the adoption of any agricultural program that went beyond the indirect subsidies provided by tariff protection. Relative prosperity in the industrial sector appears to have siphoned off greater pressure for change, enabled the government to resist, and facilitated population attrition in the agricultural sector.

The Origins of Agricultural Subsidies, 1930–40

A measure of prosperity returned to agriculture in 1924 and 1925. As the farm population shrank, industry grew, and tariffs rose, agricultural prices tem-

[34] Quoted in *ibid.*, 83.

[35] Schapsmeier, *Henry A. Wallace*, 118.

[36] U.S. Department of Commerce, *Historical Statistics of the United States: Colonial Times to 1970*, vol. I (Washington, D.C.: U.S. Government Printing Office, 1975), Series C76–80, p. 96.

[37] See Saloutos and Hicks, *Agricultural Discontent*, 109.

[38] Fite, *George N. Peek*, 203–42.

porarily stopped their downward drift. In 1927, agriculture entered into a new period of crisis. Using 1923–25 as a base of 100, already a condition of oversupply compared to 1910–14, world stocks of agricultural commodities rose to 146 in 1927, while world agricultural prices dropped to 81. Abundant harvests in 1928 and 1929 further undermined agricultural markets, pushing stocks to 193 and prices to 64.[39] America's balance of agricultural trade worsened as a result of these adverse international trends. In 1929, agricultural imports were nearly double exports (Figure 1). By 1935, even the grain sector was running a balance-of-trade deficit (Table 5). Agriculture was destitute.

As growth declined in the industrial sector of the economy, the movement of people from the farm to the city—which had previously acted as a safety valve—temporarily reversed. In 1932 and 1933, the farm population actually increased; at least farmers had shelter and could grow enough food to eat. Thus, rather than shrinking the agricultural population, the Great Depression only served to increase it.

Faced with falling domestic and international demand and a growing agricultural population, the Hoover Administration responded with the traditional Republican household remedy: higher tariffs. As promised in his 1928 campaign, Hoover called a special session of Congress immediately upon taking office to consider limited revisions of duties on agricultural imports. Nearly one year later, Congress passed the Smoot-Hawley Tariff of 1930, that, subjected to intense Congressional logrolling, had been expanded far beyond Hoover's original intent. While agricultural imports declined in 1932 to their lowest level in a decade, the Smoot-Hawley Act initiated a round of tariff retaliation directed at American products. Through the adoption of beggar-thy-neighbor policies, most of the major economic powers of the era retreated into regional trading blocs. As a result of falling international demand and the movement toward tariff closure, American agricultural exports declined from $1,693 million to $694 million between 1928 and 1933 (exports declined from 2,115 to 1,586 million constant 1913 dollars).[40] Rather than benefiting farmers, the Smoot-Hawley Tariff may actually have worsened their plight.

Hoover was forced, by the onset of the Great Depression, to contravene his principles and support more direct agricultural subsidies. The Agricultural Marketing Act of 1929 was originally designed as a long-range plan to market goods more effectively. With the collapse of the stock market in October 1929, and the large-scale unloading of wheat stocks that followed in its wake, the Federal Farm Board created under the 1929 Act began intervening to stabilize agricultural prices and diverted its funds to this purpose.[41] Despite

[39] J. B. Condliffe, *The Commerce of Nations* (New York: W. W. Norton, 1950), 481.
[40] Lipsey, *Price and Quantity Trends,* 158.
[41] Saloutos and Hicks, *Agricultural Discontent,* 413–14.

this important shift in policy towards direct subsidies, the resources of the Farm Board were insufficient, and its efforts failed.

Upon taking office in 1933, President Franklin D. Roosevelt and his advisers, with the assistance of the principal farm organizations, dramatically reformed agricultural policy.[42] The Agricultural Adjustments Act was passed in May 1933, declared unconstitutional by the Supreme Court in 1936, and replaced by the Soil Conservation and Domestic Allotment Act of 1936 and the Agricultural Adjustment Act of 1938. While differing in their particulars, all of the acts passed under the Roosevelt Administration possessed a single central, three-part design.

First, acreage restrictions on basic commodities, designed to raise prices to parity with those of August 1909 to July 1914 (with the exception of tobacco and potatoes, which used 1919–29 as a base), were negotiated with farmers on the basis of past production patterns. Direct payments were made to farmers in return for their agreement to reduce production. These payments were financed by a tax collected by the Treasury at the first stage of domestic processing; processing taxes on any agricultural goods exported were refunded. Paid by the processors, this tax was ultimately passed on to consumers through higher prices.

Second, the Secretary of Agriculture was authorized to enter into and enforce mandatory marketing agreements with processors of "nonbasic" commodities if approved by two-thirds of the farmers concerned. Noncomplying farmers were subject to penalty taxes on their excess sales.

Finally, the Commodity Credit Corporation, created in the fall of 1933, underwrote loans to farmers on the security of agricultural crops valued at parity prices. If prices fell below the fixed level, farmers could simply forfeit their collateral crops. If prices rose above the parity level, farmers could withdraw their crops, sell them at the higher price, and repay the loan.

All three aspects of the New Deal agricultural policy were designed to reduce the farm surplus while raising prices or directly subsidizing farm income. This intention was not always met. Although they planted fewer acres, farmers occasionally expanded production through more intensive cultivation techniques. Between 1930 and 1940, corn production was increased by 18 percent. Wheat, cotton, and tobacco production, on the other

[42] Finegold argues that the farm organizations did not really support Roosevelt's initial policies. Rather, the principal advocates were "agricultural experts" from the Department of Agriculture and the land grant colleges. The greater prominence given to experts in the Roosevelt Administration helps explain the different policy preferences of the Hoover and Roosevelt administrations. Yet, too much emphasis can be given to the role of experts in the 1930s. Crop restrictions were first proposed by Henry A. Wallace as early as 1921. Peek and others already constituted a considerable body of expert opinion in the 1920s. Finally, the Farm Board's switch to limited agricultural subsidies following the stock market crash illustrates the force of events. See also Richard S. Kirkendall, *Social Scientists and Farm Politics in the Age of Roosevelt* (Columbia: University of Missouri Press, 1966).

hand, fell as expected by 8, 10, and 11 percent, respectively. At their peak in 1939, government payments to farmers totaled $807 million, or roughly 9 percent of total farm income.[43]

After the domestic farm program was underway, the Roosevelt Administration also attempted to restart the wheels of international commerce through the Reciprocal Trade Agreements Act (RTAA) of 1934. This measure allowed the President to negotiate tariff reductions of up to 50 percent of present levels in exchange for reciprocal reductions abroad. Between 1934 and the outbreak of World War II, the United States negotiated twenty-two agreements under the RTAA. Of all the agreements, the negotiations between the United States, Great Britain, and Canada—successfully concluded in November 1938—were the most important.[44] While not solely designed to expand agricultural exports, this was nonetheless an important objective of the act. Exports began to rebound as early as 1936.

While the Roosevelt Administration and Congress recognized the importance of rebuilding farm exports, this goal remained secondary to the domestic subsidy program. The policies followed during this era focused, for the first time, on reducing the agricultural surplus through crop restrictions and subsidizing farm income through direct government payments.

CONCLUSION

The New Deal was an important departure in American agricultural policy. Agricultural interest groups were clearly important in shaping the final result. Roosevelt himself stated that the Democratic party would support whatever policy the "responsible farm groups themselves agreed on."[45] Yet, how farm groups and politicians defined their interests was strongly conditioned, at least in the abstract, by the three processes identified above and the variables of foreign demand and alternative employment opportunities. This is best seen through a comparison of the periods examined above.

In the late nineteenth century, rising production levels, declining prices, and limited opportunities outside agriculture drove farmers toward political militancy. The content of their demands, given the tenor of the political debate, was surprisingly conservative. Farmers called for government intervention only to equalize competition within the market and to counteract deflation. The government, in turn, made a start on the former, but strenuously resisted the latter. The essential conservatism of farm demands, and

[43] Rainer Schickele, *Agricultural Policy* (New York: McGraw-Hill, 1954), 214.

[44] Henry J. Tasca, *The Reciprocal Trade Policy of the United States: A Study in Trade Philosophy* (Philadelphia: University of Pennsylvania Press, 1938); and Richard N. Kottman, *Reciprocity and the North Atlantic Triangle, 1932–1938* (Ithaca: Cornell University Press, 1968).

[45] Allan Rau, *Agricultural Policy and Trade Liberalization in the United States* (Paris, 1957), 64.

the comparative lack of government intervention, could be sustained in a period of rising farm population and expanding domestic surplus only because of high and rising farm exports. The United States fought back European health and safety restrictions on American livestock and sought to expand and later maintain access to foreign markets. Rather than shrinking the farm sector or subsidizing income, the United States attempted to export its farm surplus.

With the return of domestic prosperity after 1897, farm militancy collapsed. While the government continued to advocate for equal access to European markets, it too relaxed its efforts during agriculture's golden age. After World War I, European markets were more restricted, and American producers faced greater competition abroad and, increasingly, at home, as farm imports came to exceed farm exports. As the export option became less viable after the war, farmers agitated for indirect price subsidies through the tariff, which they received, and parity pricing combined with export dumping, which was rejected. Although they supported tariffs, Presidents Harding, Coolidge, and Hoover relied primarily on a de facto policy of attrition in the farm population, an option made possible by the relative prosperity of the industrial sector, which provided an outlet for the over five million displaced farmers.

With the onset of the Great Depression in 1930, America's agricultural export markets closed entirely, and alternative means of employment for farmers were restricted. In fact, the agricultural population actually increased in the early years of the depression. Farm groups asked for and received direct income subsidies only when the possibilities of both exporting and shrinking the agricultural surplus were eliminated. Even here, attempts were made to reopen foreign markets for American agricultural (and manufactured) goods. The extensive subsidy program finally adopted by the United States emerged only through the foreclosing of the other policy options of exporting the surplus and reducing the farm population, highlighting the importance of changing foreign demand and alternative employment opportunities in shaping the nature of agrarian conflict and agricultural policy.

American agricultural policy today continues to be bounded by the three policy options: increasing exports, reducing the number of agricultural producers, or subsidizing and restricting production. In order to rebuild and maintain relations with its Cold War allies, the United States has hesitated to push open foreign markets for American agricultural products throughout the post–1945 era. Farm products have generally been left off the negotiating agenda of the General Agreement on Tariffs and Trade, which has so successfully lowered tariffs and increased trade in manufactured goods.[46] The United

[46] David N. Balaam, "The Political Economy of U.S. Agricultural Trade Policy, 1917–1985" (paper presented to the Annual Meeting of the American Political Science Association, Washington, D.C., August 1986).

States has even supported initiatives, like the formation of the European Economic Community (EEC) and its necessary component, the Common Agricultural Policy (CAP), that effectively reduce demand for American agricultural goods. While choosing not to push its comparative advantage in agriculture, the United States has subsidized agriculture, and—especially in the 1950s and 1960s—periodically dumped surplus goods in the third world through the P.L. 480 or "Food for Peace" program.[47]

As early as 1970, the Nixon Administration attempted to cap subsidies to farmers and stimulate agricultural exports. This effort was defeated, and the Agricultural Act of 1970 retained the existing subsidies and crop restrictions.[48] Partly as a result of these proposals, agricultural issues did succeed in gaining more high level attention in trade negotiations and particularly in bilateral talks with Japan. Increased agricultural exports to the Soviet Union beginning in the 1970s also provided an important outlet for farm surpluses.

The incentives for reform were heightened by the "Reagan Revolution" of 1980. The initial assault on federal spending and, more recently, skyrocketing budget deficits have increased the political costs of continued agricultural subsidies. Like Nixon, the Reagan Administration has advocated increasing farm exports as an alternative to subsidies, yet the current opportunities for export expansion appear limited. Many countries in the third world, who, like India, absorbed a considerable portion of the American surplus in the 1960s, are now net agricultural exporters. Agricultural exports to the Soviet Union are generally limited by political considerations and are unlikely to grow significantly. Finally, both Western Europe and Japan maintain extensive agricultural subsidy programs that serve to limit their imports of American products. In fact, the EEC—facing ever-increasing surplus stocks produced by the CAP—is now directly competing with the United States by dumping agricultural goods in the third world. Having engaged in a policy of self-abnegation in the immediate postwar years, thereby enabling Japan and Western Europe to preserve larger than necessary and relatively prosperous agricultural sectors, the United States today has only a limited ability to reform the behavior of its allies, unless it is willing to place agricultural issues above all others and risk a breach in relations.

Because an increase in exports sufficient to remove the surplus is unlikely, the United States is limited to either allowing market forces to shrink the number of agricultural producers or continuing to subsidize production. While the farm population has declined rapidly since World War II, farm organiza-

[47] *Ibid.*, see also Peterson Agricultural Experts.

[48] See Congressional Quarterly, *Farm Policy: The Politics of Soil, Surpluses, and Subsidies* (Washington, D.C., 1984), 129.

tions have waged a valiant and successful effort over the last several decades to maintain the farm sector and farm incomes through government support. All of this may explain why agricultural policy reform has proven so difficult, and why the Reagan Administration, despite its intentions, has actually increased farm subsidies.