

FEDERAL POLICY FOR AGRICULTURE UNDER THE
REAGAN ADMINISTRATION: THE FIRST YEAR

A Thesis presented to
the Faculty of the Graduate School
at the of the University of Missouri-Columbia

In Partial Fulfillment
of the Requirements for the Degree

Master of Arts

By
Jay Ward

Dr. Robert Collins, Thesis Supervisor

MAY 2008

The undersigned, appointed by the dean of the Graduate School, have examined the thesis entitled

Federal Policy for Agriculture under the
Reagan Administration: The First Year

presented by Jay Ward,

a candidate for the degree of Master of Arts

and hereby certify that, in their opinion, it is worthy of acceptance.

Professor Robert Collins

Professor Mark Carroll

Professor Patrick Westhoff

.....For Rose and Kelly and Brian without whom nothing matters

Acknowledgements

The support that I received from every faculty member with whom I interacted was truly outstanding. Professor Robert Collins, my advisor, was tireless in his efforts to guide, inspire and channel me in the proper direction. He read this paper in all of its iterations painstakingly and each one of his suggestions improved the quality of the final product. Professor Patrick Westhoff took me from total ignorance of our federal policy on agriculture to a working knowledge of the basics with kindness, patience, and thoroughness. His experience with the workings of the Congress on agriculture was a veritable gold mine of information. Professor Catherine Rymph supervised my first foray into the Depression era AAA and helped immeasurably with my first halting footsteps down the road toward this project. Without this help and that of all of the faculty and student colleagues who aided me I would have been hopelessly lost. To all of these people a heartfelt thanks.

Table of Contents

Acknowledgements.....	ii
Chapter	
1. Introduction: The Reagan administration and farm policy.....	1
2. The Reagan approach to public policy.....	10
3. The Reagan approach to agriculture.....	17
4. The agriculture policy that Reagan inherited.....	22
5. The problems with U. S. farm policy.....	29
6. Dairy policy.....	38
7. The food stamp policy.....	49
8. Other Commodities (Peanuts, Sugar, Grain).....	81
9. Conclusion.....	98
Bibliography.....	112

1. Introduction: The Reagan Administration and Farm Policy

When Ronald Reagan came to the Presidency in 1981 he had several goals and aspirations in mind. He wanted to upgrade the military in order to increase its capabilities as well as its prestige and morale. He wanted to win the “Cold War.” He wanted to free U.S. business from burdensome federal regulations. He also wanted to improve the economy. Within a very short time in office he realized that initially at least he would have to leave aside his other plans and focus almost entirely on the economy because the economy that he inherited was sluggish at best. The prime lending rate in early 1981 was slightly more than 20 percent. Inflation, as measured by the Consumer Price Index, was 12 percent and rising. The unemployment rate was 7.4 percent.¹ Reagan realized that a drastic economic policy change was necessary in order to right the ship. This paper will focus on one vital aspect of that economy: agriculture.

The activity generated by farm products in 1980 accounted for 20 percent of the nation’s gross national product. That made agriculture the nation’s largest employer. The over twenty-three million people who were employed as the result of agriculture made up one fifth of the nation’s labor force. American farmers constituted less than .03 percent of the world’s farmers yet produced 65 percent of the world’s soy beans, 48 percent of the corn, 32 percent of the sorghum, 31 percent of the poultry and 25 percent of the beef.² By 1981 the United States supplied 11 percent of all of the food consumed abroad. That was equivalent to the

¹ *Congressional Quarterly Almanac*, 1981, 89.

² John R. Block, *General Farm Bill of 1981: Hearings before the Committee on Agriculture, House of Representative, Ninety-seventh Congress, First Session*. Serial No. 97-G. Washington D. C.: GPO 1981, 434.

contribution to the world's energy supplies by the oil exported by the Organization of the Petroleum Exporting Countries. In a sense the United States was the OPEC of food.³ Coincidentally, the operative farm bill that set farm policy every four years expired in 1981. Thus, the new administration was in a position to begin immediately to alter farm policy as it altered other aspects of the economy. The question is how well did it do? In the United States economic legislation must begin within Congress and the administration must interact with Congress to make any change in policy. Historically, the image of farming and farm families in the minds of American voters had weighed heavily on Congress as it forged agricultural policy. This imagery would also impact the new administration as it countenanced making changes in that policy.

The concept of the yeoman farmer and the "family farm" has been central to the American self- image for over 200 years. Thomas Jefferson's ideas on farmers are often cited as the basis for this enduring image in American thought. Jefferson called farmers the most valuable of citizens. In fact, Jefferson envisioned the United States as an agrarian society. Later, during the Romantic Period of the nineteenth century, both Ralph Waldo Emerson and Henry David Thoreau wrote that nature was a formative element in the American national character. They argued that hard physical labor was necessary for self-realization. Farming provided both closeness to nature and hard physical labor.⁴ Populist rhetoric beginning in the late nineteenth century and continuing to this day also extolled American farmers. The populists maintained

³ Dan Morgan, "New Study Finds Small Farms Hurt by Many Federal Policies." *Washington Post*, 14 January 1981, sec A, p. 14.

⁴ William P. Browne and others, *Sacred Cows and Hot Potatoes: Agrarian Myths in Agricultural Policy*, (Boulder: Westview Press, 1992), 9.

that farms were an important “safety valve” that preserved individual liberties and were repositories of the family values that defined the traditional American worldview.⁵

The perceptions of farmers and family farms in the minds of Americans were largely uniform by 1981; unfortunately, many if not most of them were false. Scholars have argued that the concentration of population, media influence, and popular culture on the East and West Coasts created a sort of informational vacuum about what goes on in between.⁶ Indeed, those living on the coasts had a variety of false images about how farming really operated.

The first false image created by this coastal bias suggested that there was a uniform Middle America containing red barns and tall corn or golden wheat growing in flat, featureless landscapes collectively described as “farm states.” In reality, the great middle was and is a highly diverse landscape. Each state’s agriculture was sufficiently different from that of other states that it was impossible to talk of a typical farm state. While the economies of the states in Middle America historically depended on agriculture, they did so less each year. The Federal Reserve Bank of Kansas City reported in 1987, for example, that fewer than 12 percent of rural families received the majority of their income from farming.⁷ However, while farming provided less and less employment, agricultural processing, finance, and services were substantial employers. Many international companies such as Hormel, International Multifoods, Pillsbury, and General Mills were headquartered in “farm states.”

This first false image led to the idea that federal farm programs benefited farm state interests and were widely distributed to the residents of all farm states. Actually, the interests

⁵Ibid, 11.

⁶ Willard W. Cochrane and C. Ford Runge, *Reforming Farm Policy: Toward a National Agenda* (Ames: Iowa State University Press, 1992), 20.

⁷Mark Drabenstott, Mark Henry, and Lynn Gibson, “The Rural Economic Policy Choice” Federal Reserve Bank of Kansas City, *Economic Review*, Vol. 74 no. 2, 1987, quoted in Cochrane and Runge, p.20.

(and politics) of farm programs broke down along lines of specific crops and regions, each with its own features and peculiarities. “Farmers are a distinct minority in every “farm state,” and in every congressional district in these states.”⁸ The most “agricultural” congressional district in the country had only 25 percent of its population engaged in full-time farming. It is a major irony of the Midwestern “farm state” illusion that California was and is the biggest farm state of all with net farm income of \$6.0 billion in 1981, compared to \$2.4 for Iowa, \$2.1 billion for Nebraska and \$1.1 billion for Kansas.⁹

There is no typical farm state and no general farm interest. Federal farm policy was directed to specific crops. To understand agricultural policy, it was necessary to understand each crop, the geographical area in which the crop was grown, and the complex historical evolution of that farm program. Some crops had no federal policy. Some crops that received subsidies did not need them. The complexity of farm policy was truly daunting. Realizing this problem, newly elected President John Kennedy told his secretary of agriculture, Orville Freeman, “I don’t want to hear about agriculture from anyone but you....Come to think of it, I don’t want to hear very much about it from you either.”¹⁰

A second characteristic false image was that of the “family farm” with a white farm house and a red barn, providing the backbone of our republic. This Jeffersonian picture, despite its powerful hold on the American psyche, began a long decline in its actual relevance to American political life as early as Jefferson’s own time, when Alexander Hamilton’s concept of a manufacturing-based economy began to take hold. By 1980 most commercial farms were

⁸ Cochrane and Runge, 21.

⁹ Ibid, 21.

¹⁰ Ibid, 21.

incorporated. The vast majority of federal farm subsidies went to the wealthiest farmers. Because of the high cost of land and farm machinery the small family farm was becoming a thing of the past. Those who remained on small farms were forced to gain their living from off-farm employment. Most small farms by the end of the Reagan era had become part of a larger farm. This reality was a long way from Thomas Jefferson's ideal.

The third false image was that farmers in general were "stewards of the land," and that agriculture was an environmentally benign and naturally healthy activity. In reality, agriculture was increasingly dependent on chemicals and mechanical implements that had contributed in major ways to the environmental pollution of lakes, streams, and groundwater. As more and more farmers left the land, the fewer, bigger farmers who remained increasingly relied on larger machinery to till their soil and powerful chemicals to maintain its fertility and protect it from weeds and pests. Government programs rewarded the specialized cultivation of crops that were particularly prone to erosion, and encouraged heavy use of fertilizer and chemicals to keep yields high so that larger government payments could be obtained. Heavy equipment, long hours, and steady exposure to hazardous materials also made modern agriculture one of the most dangerous businesses in America, with accidents and occupational mortality and morbidity rates among the highest of any major occupation.

The fourth false image was that American agriculture remained a domestic industry, for which domestic policies were most important. In reality, American agriculture in the postwar period had emerged as the biggest export industry, highly dependent on foreign markets and international market forces over which domestic commodity and economic policies had comparatively little influence. Far from being isolated between two coasts, the great middle of

America depended upon global markets for its survival and livelihood. Nearly half of the corn, wheat, and soybeans grown in the Midwest arrived at those markets. The modern farmer was increasingly a global trader, with a sophisticated grasp of international commerce, logistics, and transport.

The fifth false image was that American farmers were an endangered species. The argument went that because of high costs, low profit margin, vulnerability to inclement weather and the vagaries of foreign markets, independent farmers were in danger from a hostile corporate takeover. In this view, no expense was too great to preserve and protect them. They needed to be protected by federal farm programs. The fear was that somehow America's food supply would be taken over by multi-national corporate interests and the price of food would be hostage to the corporate bottom line. The reality was that farm programs had actually hurried the exodus of farmers from the land, by encouraging large farmers to buy up their smaller neighbors. During the period 1981-1988, 89 percent of all farmland purchases in Minnesota were made by buyers living within 50 miles of the purchased farm. Seventy-four percent of all farm purchases were to expand existing farms, and only 12 percent were bought by investors.¹¹ By 1981 the number of farms was indeed falling. Only about 2 percent of Americans were farmers. However, they were hardly poor. In fact, total farm output in the United States had increased in almost every year since 1947 and total output almost doubled despite a decline in the number of farms from 5.9 million to 2.2 million.¹² Many farmers were leaving the farm but it was because that they were being bought out by their wealthier

¹¹ Andrew Schwab and Phillip M. Raup, *The Minnesota Rural Real Estate Market in 1988*, (St. Paul University of Minnesota Economic Report ER, 1989), p. 3, quoted in Cochrane and Runge, p.23.

¹² Department of Agriculture, *Economic Indicators of the Farm Sector, State Financial Summary, 1989* EDIFS 9-3 (Washington, GPO, 1991a), quoted in Cochrane and Runge, p. 23.

neighboring farmers. The corporations that were taking over agriculture were local family corporations formed by the farmers who continued to farm the land.

The problem with these false images was that they led to poorly conceived federal farm policy. Agricultural economists Willard Cochrane and C. Ford Runge argue that these false images skewed agricultural policy because the Congressional leaders from urban constituencies often left farm legislation to those representatives from the “farm states,” asking only that the policies not raise food prices. In fact, they say,

Urbanites and their representatives in Congress have the votes to write the farm legislation, if they knew what they wanted. But they don't. They are so deeply mired in a set of false and misleading images about farmers, farming and rural America, that they cannot take effective legislative action.¹³

The chapters that follow are concerned with the Reagan Administration and the Farm Act of 1981. That act was formulated during the first year of the Reagan Administration by a Democratic Congress, but the process that led up to the bill and the impact that the Reagan administration had on the bill are very instructive. During his campaign, Reagan had been very critical of the Russian Grain Embargo instituted by President Jimmy Carter. He claimed that the government was running its foreign policy on the backs of America's farmers. The farm vote had gone overwhelmingly for Reagan in the 1980 election with the understanding that he would keep federal regulations out of the business of farming. Thus, with the economy in such bad shape, how would the new president approach agriculture?

To explore this question I will look at a wide range of factors affecting the administration's impact on agricultural policy. Chapter 1 will examine the Reagan approach to public policy and will argue that during his first year in office the President focused on attacking the problems of

¹³ Cochrane and Runge, 27.

the domestic economy to the virtual exclusion of every other issue. This attack centered on the idea of cutting personal and business taxes to stimulate private investment in the infrastructure of the economy. The administration planned to couple tax cuts with sharp cuts in the federal budget. Chapter 2 looks at the Reagan approach to agriculture policy. It maintains that the policy on the overall economy subsumed policy on agriculture and that the main focus for agriculture was to maximize agricultural exports in an attempt to ameliorate the huge trade deficit, centered on imported oil. Thus for Reagan, agriculture's task was to provide cheap domestic food and to pay for cheap domestic gasoline. All other agricultural costs were to be cut to the maximum amount politically possible. Chapter 3 reviews the agriculture policy that Reagan inherited. This review includes the period between 1900 and the onset of World War I that was reckoned to be the "Golden Age of Farming." It also deals with the devastation of the Depression, and the New Deal's attempts at fixing that problem. This chapter also argues that the economic effects of World War II ended the Depression and with it farming's ills, and obviated the need for further agricultural subsidies. Finally, it describes the political battle that prolonged those outdated subsidies. It examines the problems inherent with the existing farm policies and shows that those policies did not address the agricultural reality of 1981. This will lay the ground work for an understanding of the political realities facing Reagan as he tried to formulate a policy.

Chapters 5, 6, and 7 will review five specific areas within the overall Farm Act of 1981 because they make up the crux of the changes wrought by Reagan and his administration. Dairy, peanuts, sugar, wheat, corn, and the food stamp program merit review. Peanuts, sugar and the grains were bargaining chips bartered for votes on the Reagan tax cut legislation. Dairy

had the double curse of not being exported and being expensive for the government. Its fate was preordained. The food stamp program was hugely expensive and unpopular to boot and was ripe for the hatchet.

I conclude that Ronald Reagan did not view agriculture as an entity unto itself with its own special needs but rather as a part of his plan for the overall economy. Furthermore, his policy toward agriculture was self-contradictory in that it hurt the prospects for exporting farm commodities and it was environmentally harmful as well. Indeed, the entire federal commodity price support system was an anachronism. Finally, I will argue that the situation in 1981 was unique. The usually harmonious “farm block” was breaking into small units looking out for their own interests. Had Ronald Reagan had a sounder understanding of farm policy, he would have realized that he could have seized the moment and begun a fundamental restructuring of federal farm policy that would have ultimately attained his goals of more exports at a much smaller cost. However, while the president was a true visionary, agriculture was not his field and the moment went aglimmering. But all that is ahead of the story. To begin at the beginning, we must first address public policy.

2. The Reagan Approach to Public Policy.

Ronald Reagan came to the Presidency in 1981 with three often repeated goals. He wanted to augment the nation's military defenses and win the cold war. He wanted to revive the nation's economy by reducing the marginal tax rate on both private citizens and businesses and by reducing the inhibitory effects of government regulation on business. He also wanted to balance the federal budget. The President decided to focus the first year of his administration on the domestic economy. It was clear to Reagan from the beginning that for the economy to recover, the administration needed to support the policy instituted by the Chairman of the Federal Reserve Board, Paul Volker, to reduce the size of the money supply. It was also clear that the foundation of the American standard of living was cheap food and cheap gasoline and those prices needed to be kept as low as possible.

The Reagan administration's plan to turn the economy around utilized a largely untested theory known as supply-side economics. In essence, that theory held that cutting taxes to both businesses and individuals and removing government from the market place would give Americans the incentive to work harder and save more. This would lead to more investment, higher productivity, and lower inflation. Supply-side theory was a direct contradiction to what had been the prevailing theory since World War II.

Following the lead of British economist John Maynard Keynes, economic policy had focused on controlling the demand for goods and services rather than the supply of those items. Keynes policy was designed largely to eliminate unemployment. Inadequate demand,

according to Keynes, led to joblessness and in turn to incomes inadequate for consumers to maintain the economy. The answer to this problem, he maintained, was to increase demand, either by cutting taxes or increasing government spending (often deficit spending would be required). Once people started spending their increased income, the demand for goods and services would rise, production would increase, and more jobs would be created.¹⁴

Keynesian theory not only purported to cure unemployment, it also claimed to fix inflation as well. Just as unemployment occurred when demand failed to match productive capacity, inflation became a problem when demand exceeded capacity. Keynes would reduce inflation by reducing purchasing power through increased taxes or reduced government spending. Where Keynes' theory struggled was in the situation in which the U.S. found itself in 1981, namely with both high unemployment and high inflation.

The supply-side theorists denied the Keynesian idea that once the government maintained an adequate level of demand, supply would be assured. They maintained that people produce not only in response to demand, but to increase their own income.¹⁵ The driving force of economic activity, according to the supply-siders, was the marginal rate of taxation, i.e. the rate on the last dollar earned. People were constantly deciding between working more or turning to leisure activity, and between saving and spending. The higher the marginal rate the less likely a person was to work more or save. By reducing marginal tax rates, these theorists concluded, the government could encourage more work and more saving, and in the process increase income and improve the economy. In order to implement these supply side theories, on March

¹⁴ Congressional Quarterly Almanac, 1981, p. 90.

¹⁵ Ibid.

10, 1981 President Reagan asked Congress to cut more than \$40 billion from the fiscal 1982 budget and to reduce taxes by \$53.9 billion.

Ronald Reagan was portrayed by the press in 1981 as an ideologue. He was said to be a slave to a few poorly understood economic principles. In fact, the press completely misjudged the President. Reagan was a pragmatist and a very skilled negotiator. There was, however, a genuine ideologue in the Reagan Administration. That person was chief budget slasher, Director of the Office of Management and Budget David Stockman. Stockman was by his own estimation a zealot. In his book *The Triumph of Politics*, he chronicled his devotion to various causes from fundamentalist Christian to atheist to liberal to Marxist. While a student at the Harvard Divinity School, he was introduced to Walter Lippmann and Reinhold Niebuhr. Later he discovered F. A. Hayek, Milton Friedman, and Arthur Laffer, a conservative adherent of supply side economics.¹⁶ Stockman believed that after the New Deal, the line separating the government from the free market had been destroyed and that interest groups had appropriated governmental authority. He argued that Congress had stopped making laws and had begun ceding authority to the Presidency, bureaucracies, and regulatory agencies. Thus, he declared, “the power to make policy shifted from the institutions of central government to a plethora of mini-governments, made up of the ‘iron triangles’ of bureaucracy, client, and

¹⁶ “The right starts with history and society as they are, and places the burden of proof on those who would use the policy instruments of the state to bring about artificial change. The left starts with an abstraction—a vision of the good and just society—and places the burden of defense on the bloody process. Implicit in the conservatism of the right is a profound regard for the complexity and fragility of the social and economic order, and a consequent fear that policy interventions may do more harm and injustice than good. By contrast, the activist impulses of the left derive from the view that a free society is the natural incubator of ills and injustices. The left assumes that society has an infinite capacity to absorb the changes it imposes on it. Now I saw that the good society—the one Lippmann spoke of—was best served by a smaller, less activist state and by a more dynamic, productive, and fluid marketplace. Social progress was as much a matter of unshackling the powers of the latter as it was of extending the reach of the former.” David A. Stockman, *The Triumph of Politics: Why the Reagan Revolution Failed*, (New York: Harper & Row, 1986) 32.

congressional subcommittees.”¹⁷ To Stockman the government had become a shopping center. It was no longer accountable to the people because it had been seized by the modern-day guilds and syndicates: trade associations, unions, professions, and organized interests. He was dying to get to Washington to set things right.

Stockman’s path to Washington was an interesting one. He graduated from Michigan State University in 1968 and went on to study at the Harvard Divinity School. While at Harvard he got the job as live-in babysitter for Daniel Patrick Moynihan, then the chief domestic adviser to President Richard Nixon. Through this connection he became a legislative assistant to Congressman John Anderson. That job led to his appointment as the executive director of the Republican caucus headed by Anderson. In this position Stockman studied economic theory and became an adherent of supply-side economics.¹⁸ He wanted the opportunity to try to implement his new economic ideas and ran for the Congress from the state of Michigan. He had served two terms as Congressman when one of those strange life altering experiences happened to David Stockman. The Reagan Committee was preparing their candidate for the upcoming presidential debates and they needed someone to play the part of candidate John Anderson in the rehearsals. They decided that Stockman, the former chief aide of Anderson, would be the perfect stand-in. In fact he was very effective in the mock debates: so effect that when Reagan won the presidency, one of his early appointments was to make Stockman the

¹⁷ Stockman, *Triumph of Politics*, 33.

¹⁸ “We viewed the supply-side doctrine as all-encompassing. It implied not merely a tax cut but a whole catalogue of policy changes, ranging from natural gas deregulation, to elimination of federal certificates of “need” for truckers, hospitals, airlines, and anyone else desiring to commit an act of economic production . It even encompassed reform of the World Bank, and countless more.” Stockman, *Triumph of Politics*, 40.

director of the Office of Management and Budget, one of the Reagan administration's chief economic planners.

David Stockman wanted a tax cut in 1982 because it was part of his economic vision for a redeemed American society. Ronald Reagan wanted a tax cut because he thought it would stimulate the economy. Both men saw a tax cut as essential. In fact, Reagan wanted two tax cuts. He wanted to prevent inflation from pushing tax payers into ever higher tax brackets without actually increasing their buying power. He also wanted a 30 percent rate cut across all brackets to be implemented at a rate of 10 percent a year for three years. The problem, in Stockman's eyes, was the president only understood a part of the supply-side theory. First, a tax cut would increase government revenues only if it occurred in a zero inflation economy, a far cry from the state of the economy in 1982 with its 12 percent inflation. Second, the theory could not pay for two tax cuts at the same time. As Stockman said, "To keep the budget solvent required draconian reductions on the expenditure side—a substantial and politically painful shrinkage of the American welfare state."¹⁹ Obviously to make that happen, Congress was going to have to be convinced.

David Stockman carefully worked out his plans for the economy and addressed specifics of the budgetary process. He pointed out that during the preceding two years revised spending overruns had totaled nearly \$100 billion. During those two years, the rate of increase in government spending averaged 16 percent. Over the preceding six years, Stockman maintained, budget growth had averaged an unsustainable 12 percent. The combination of

¹⁹ Stockman, *Triumph of Politics*, 11

budget mismanagement and rapidly increasing federal spending, according to Stockman, was a sure recipe for tax increases, enlarged deficits, and economic deterioration.²⁰

The Reagan administration's proposed budget reform plan was intended to transmit a much different set of signals. Budget savings were targeted at \$41.4 billion in 1982, about \$80 billion in 1983, and more than \$100 billion annually during future years, relative to the existing policy base. During the 1981-84 period, the budget reform plan aimed to reduce spending growth to 5.6 percent annually.²¹ The combination of incentive-minded tax rate reductions and firm budget control was expected to lead to a balanced budget by 1984. By holding the growth of federal spending below the growth of national income, the new policy represented, Stockman claimed, serious and reliable budget control. With the tax share equal to the outlay share, at significantly lower levels than in the previous administration, the budget process would become sounder and more disciplined.

The end result of these reforms would be a fundamental shift in priorities to provide sufficient budget resources to create a margin of safety in the nation's defense capacities, and to preserve and strengthen the social safety net that the government had promised the citizens who depended on it for the basics of life. Stockman warned that beyond these two priorities, all other federal programs were to be subjected to thorough scrutiny and widespread reduction. The result of these proposals was that 32.4 percent of 1984 outlays were to be devoted to defense as opposed to 24.1 percent in the Carter budget. The social safety net would claim an even greater portion of 1984 resources—40.6 percent (versus 36.6 percent

²⁰ David A. Stockman, Director, Office of Management and Budget. *Hearings before the Committee on Appropriations, House of Representatives, Ninety-seventh Congress, First Session.* (Washington DC: GPO, 1981) 21-23.

²¹ *Ibid*, 23.

in 1981). This would mean that all other programs must be dramatically reduced from 29.5 percent of 1981 outlays to 18.4 percent of 1984's outlays.²²

Stockman argued that the economy of the United States did not have the capacity to grow at double digit rates without paying for that growth with high levels of inflation, high interest rates, and the other economic disturbances being experienced at that time. His point was that runaway federal spending fueled the unhealthy growth of the general economy. The key, he said was to hold Federal spending to a rate of 6 percent increase in 1982 and beyond.²³ That 6 percent rate was to apply across the budget with the exception of the Defense Department. How would this plan affect the Department of Agriculture?

²² Stockman, *Hearings*, 21-23.

²³ Stockman was later to claim "The true Reagan Revolution never had a chance. It defied all of the overwhelming forces, interests, and impulses of American democracy...Causing such changes to happen as not Ronald Reagan's real agenda in the first place. It was mine, and that of a small cadre of supply-side intellectuals...He (Reagan) was a consensus politician, not an ideologue. He had no business trying to make a revolution because it wasn't in his bones. Stockman, *Triumph of Politics* 9.

3. The Reagan Approach to Agriculture

The Director of OMB grew up on a dairy farm in Wisconsin and he had a personal agenda when it came to agricultural policy. In a particularly heated session in Stockman's office at OMB, he, Secretary of Agriculture John R. Block, and Deputy Secretary of Agriculture Richard E. Lyng were debating Stockman's proposed cuts in the farm budget. At one point in a discussion of dairy price supports, Stockman pointed to the wall and said: "See that picture? That's a farm where I milked cows for 15 years. Don't talk to me about farming." Recalling the incident later, Mr. Lyng remarked that Stockman "had some strong and deep biases" against the farm program. "He would like to see farmers treated exactly like everyone else," the former head of the American Meat Institute said with some wonder. "We pointed out that there are some differences in agriculture."²⁴ Stockman wanted farmers to be treated like the rest of the nation's businessmen. To him that meant no direct governmental payments to farmers. Loans were one thing, but direct payments had no place in his ideology.

Largely under the impetus of Stockman's zeal, the administration's proposals did include doing away with subsidies to grain farmers by abolishing target prices and deficiency payments. They also proposed to reduce low cost loans to farmers by \$2.8 billion in new direct and guaranteed lending by the Farmers Home Administration. There were two major changes proposed in Rural Electrification Administration (REA) loans: the first was a 25 percent reduction in all direct lending activities for REA, which was consistent with the reduction in

²⁴ Ann Crittenden, "Reagan's Agriculture Policy Emerges As Budget Cutters Clash," *New York Times*, 10 April 1981, sec. A, p. 14.

credit programs in the Farmers Home Administration. The second proposed change for REA was to eliminate the Federal Financing Bank as a source of funds for the loans guaranteed under the program. These loan activities were to be shifted to the private sector, where Stockman said, everyone else had to get their loans. Other proposals included doing away with the major subsidies for child nutrition whose family earnings were in excess of 185 percent of the poverty level; removing from the Food Stamp Program people whose gross income was above 130 percent of the poverty line; cutting the Women, Infants, and Children Program by \$325 million; changing the cost index adjustment for the Dairy Payment Program from semiannually to annually; elimination of the allocation system for peanut growing; continuing to allow domestic sugar prices to be determined by the market; saving \$312 million from the farm storage facility loan program; deleting the first year interest waiver on reserve grain loans; setting interest rates on loans at the full cost of money. Some of these proposals were simply fluff, ideological statements not to be taken seriously, such as the elimination of the target prices and deficiency payments on grain and the changes in the REA. Others, for instance the proposals on the dairy program, the Food Stamp program, the peanut program, and sugar subsidies were serious and they will be considered in detail. The president did not suffer from the angst over farm subsidies that Stockman did. He was a pragmatist and he had specific goals in mind.

Ronald Reagan did not care about the nuts and bolts of agriculture policy. He was only interested in agriculture as it impacted the general economy. He wanted to sell as many agricultural products as possible abroad to pay for the large debt incurred from the importation

of foreign oil²⁵ . He wanted to spend as little federal money as was politically possible on all other agriculture policy. Such an approach would require a delicate touch, however, because of the importance of agriculture to the general economy. Agriculture's contribution to the balance of payments had become all the more critical because of the growing annual deficit in nonagricultural trade. The projected cost of imported petroleum for 1982 was approximately \$30 billion dollars. The agricultural trade surplus projected for 1981 was \$29 billion."²⁶

Agricultural assets in the United States exceeded 1 trillion dollars. Even with the rise in food prices in the late 1970s, the U.S. consumers, on the average, continued to spend a smaller share of their total expenditures on food than anywhere else in the world and that share actually had been dropping. In 1950, U.S. consumers devoted an average 28 percent of their total consumer expenditures on food; in 1980 it was down to 16.5 percent. In the United Kingdom and Japan, in 1980 consumers paid 25 percent and in the Soviet Union, 50 percent, of their expenditures were spent on food. In developing countries, two-thirds of their resources went to food alone."²⁷

The American agricultural system was the most productive in the world in 1981. The growth rate in agricultural productivity was the highest of any sector in the U. S. economy. Agricultural output increased by 70 percent from 1950 to 1981, while the total labor input into agriculture increased by only 2 percent. This remarkable productivity had been made possible by the technological explosion in farming since World War II. More powerful and sophisticated machinery allowed fewer farmers to do more work. One of the most important sources of

²⁵John R. Block, General Farm bill of 1981: Hearings before the Committee on Agriculture, House of Representatives, Ninety-seventh Congress, First Session, Serial No. 97-G, Washington D. C.: GPO 1981,434.

²⁶Ibid

²⁷Ibid, 435.

productivity growth was genetic enhancement of both crops and livestock.²⁸ Similarly, chemical advances produced new fertilizers and pesticides markedly increasing per acre yields. Interestingly the total acreage planted in the United States had remained essentially constant. The Census of Agriculture found 325 million acres of crops harvested in 1910 and that number remained at over 300 million in 1981.²⁹

The demand for maximizing exports changed the make up of farming in the United States. It affected which crops were planted. The acreage of oats planted 1910 was 37 million. In 1984 four million were harvested. (This was a result of the replacement of draft horses by the machines which so raised productivity). The acreage of soybeans, too insignificant to count in 1919, grew to 58 million acres (equivalent to the entire surface area of the states of Illinois and Indiana) in 1990 because they had become a major export commodity. Grain sorghum, unheard of in 1919, covered 10 million acres in 1990.³⁰ Maximizing exports also affected revenue. Agricultural export revenue in 1982 was 500 percent of 1970 in constant dollars. Twenty-five percent of farm income came from exports. Forty percent of agricultural acres were devoted to export.³¹ The Reagan approach then, was to support exports and pay for as little else as possible. However, the president was very conscious of the politics of farm policy.

The Reagan appointments to the Department of Agriculture were all designed to be popular with the farm community. The new Secretary of Agriculture was John R. Block, an Illinois hog farmer. Block's chief deputy, Richard E. Lyng, was a former president of the American Meat institute; the assistant secretary for marketing and transportation services, C.

²⁸Bruce L. Gardner, *American Agriculture in the Twentieth Century: How It Flourished and What It Cost*, (Cambridge, Massachusetts, and London, England, Harvard University Press, 2002), 19.

²⁹Ibid, 19.

³⁰Ibid, 19.

³¹Dan Morgan, 14.

W. McMillan, had been a vice president of the National Cattlemen’s Association; the assistant secretary for natural resources and environment, John B. Crowell, had been chief officer for Louisiana-Pacific Corporation, a major forest product company.³² It was definitely a home team that the president presented to America’s farmers. However, to understand what Reagan wanted this team to do, it is necessary to understand the agriculture policy already in place when he took office.

³² Elizabeth Wehr, “Agriculture: Major congressional Action,” *Congressional Quarterly Almanac*, 97th Congress, 1st Session, 1981, Volume XXXVII, Congressional Quarterly Inc. (Washington, DC, 1981), 533.

4. The Agriculture Policy That Reagan Inherited.

The United States Department of Agriculture (USDA) was established by an Act of Congress and signed into law by President Abraham Lincoln on May 15, 1862. It was established to oversee the westward expansion of farmers authorized in the Homestead Act also passed in 1862. In 1887 Congress created experiment stations for state-of-the-art research on behalf of farm modernization to be under the direction of the USDA. In 1914 the department expanded to include the Extension Service with its network of county agents, who were to bring education and research to rural farms.³³ Thus the USDA was in position to aid farmers at the turn of the Twentieth century.

The period between 1905 and the start of World War I is reckoned to be the apogee of American agriculture. Farmers found themselves in better circumstances because agricultural expansion slowed down after 1900 and the demands of a growing urban population for farm products increased. In this way supply and demand were brought into a better balance than had existed in much of the late nineteenth century, or would exist later in the twentieth. Since there were no large surpluses, farm prices rose sharply, in fact faster than industrial prices.³⁴ The value of ten leading agricultural crops rose 72 per cent between 1900 and 1909, while the prices of a selected list of non-farm commodities increased only 12 percent. As the noted historian of agriculture Gilbert C. Fite has observed, “The price relationship was considered so

³³Baker, Gladys L., et al. *Century of Service: The First 100 Years of the United States Department of Agriculture*. Washington, D.C.: GPO, 1963, 14.

³⁴Gilbert C. Fite, “The Farmers’ Dilemma, 1919-1929” in *Change and Continuity in Twentieth-Century America: The 1920’s* John Braeman, Robert H. Bremner, and David Brody Eds., (Columbus, Ohio: The Ohio State University Press. 1968), 67.

fair to farmers in the years from 1909 to 1914 that farm prices were later considered to have been at “parity” with other prices in that period.”³⁵

World War I’s demands for food and fiber further contributed to agricultural prosperity. The necessity of feeding the U. S. armed services as well as U. S. allies who were engaged in the war and unable to produce or trade for food in their customary fashion caused the government to encourage farmers to markedly increase agricultural production by planting previously untilled land, intensifying the use of fertilizer, controlling insects and diseases with chemicals, and making much greater use of power machinery.³⁶ However, with the sudden end of the war, prosperity was not to last.

Although the relative importance of agriculture as a source of income had been dropping steadily through the years, the seriousness of the postwar decline was felt especially after the drop in farm prices in 1920. In that year the farmers’ portion of the national income had fallen precipitously from the 25 percent it had been in 1918 to 12.6 percent. By 1929 it reached 10.4 percent.³⁷ The economic crash following 1929 further devastated agriculture. From 1929 to 1932 the prices of crops and livestock fell by nearly 75 percent; gross farm income fell from \$13.8 billion to \$6.5 billion; farm purchasing power and land values fell by 40 percent; and per capita income fell from \$602 to \$145 per year. Wheat and cotton, the two commodities most heavily dependent on world trade, suffered the earliest and sharpest price declines: wheat

³⁵ Ibid, 68.

³⁶ Baker, 88.

³⁷ David E. Hamilton, *From New Day to New Deal: American Farm Policy from Hoover to Roosevelt, 1928-1933*, (Chapel Hill and London: The University of North Carolina Press, 1991), 12.

prices fell from an average of \$1.30 a bushel in July 1929 to 83 cents in July 1930 and 48 cents in July 1932. Cotton prices dropped from 18.7 cents a pound to 12.2 in 1930 and 5.5 in 1932.³⁸

In essence the major problem that plagued the farm policy-makers was that there were too many small inefficient farmers who lacked the money, equipment, and talent needed to farm in a society subject to such sudden changes. There was too great a disparity between what the farmers paid and what they received. Too many of them were deep in debt. Food habits in the United States were changing away from grains and corn. Demand for farm products suffered from a falling birthrate; restrictions on immigration; shrinking domestic and foreign markets; and poor farm morale. These changes challenged even the most able farmers.³⁹ What then was to be done?

Faced with the problems that were sending the agricultural economy into a precipitous downward spiral, economic planners began to consider the possibility of government intervention into the previously private agricultural economy. Intervention was a sticky subject. Most Republicans opposed government interference into the private economy. All of Herbert Hoover's policies were voluntary and aimed at the private sector. However, times were desperate. Agriculture was plagued by low and falling prices. Farm incomes were low. Bankruptcies were common. There were too many farm laborers for too few jobs. The strategies that worked in other industries did not work in agriculture. The people operating family farms were felt to have unique moral attributes prized by society and judged by many to be worth subsidizing to preserve. By 1932 the situation of farmers was stark. Realized net

³⁸ Ibid, 114.

³⁹ Theodore Saloutos, *the American Farmer and the New Deal*, (Ames: The Iowa Statue University Press, 1982), 14.

income for farmers that year was less than one-third of what it had been in 1929.⁴⁰ The administration determined that part of the cause of the general economic depression was the inability of farm families to participate in the economy because of the severely depressed prices of agricultural commodities. To remedy this situation Congress passed the Agricultural Adjustment Act of 1933 (AAA). For the first time, Congress declared that the Department of Agriculture would enter into the farm economy as a participant in a major way.

The goal of the Act was:

To establish and maintain such balance between the production and consumption of agricultural commodities...as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period... August 1909-July 1914.⁴¹

The “fair exchange value” of commodities soon came to be known as the parity price or later simply parity. The Secretary of Agriculture was given authority by the act to secure voluntary reductions of the production of cotton, wheat, field corn, hogs, rice, and tobacco by direct payments to those farmers who did cut back. Within two years, rye, flax, barley, grain sorghums, cattle, peanuts, sugar beets, sugar cane, and potatoes were added. Milk and milk products were also a part of the original Act. In order to reduce farm debt, the act empowered the Secretary to directly purchase commodities used as collateral for loans. He was to use government funds to adjust prices, expand markets and to remove agricultural surpluses. The idea was not to fix prices, but rather to control supply and marketing in such a way that the prices of the commodities would rise naturally.

⁴⁰Baker, 145.

⁴¹*Agricultural Adjustment Act of 1933*, Pub L. No. 73-10 Stat. 31: (Washington D. C.: GPO 1933.) p.32

The overarching idea was that it was necessary to alter the disparity between farm prices and industrial prices in order to both provide relief for the farmer and help end the depression.⁴² Because the business sector had responded to the crisis by reducing production rather than prices, farmers faced a situation of unchanged prices and markedly reduced income. Therefore, either prices had to come down or farm income had to go up. The farm bill opted for the latter.

The heart of the farm program was the reduction and control of production. The Secretary of Agriculture was to provide rent payments to farmers who voluntarily took land out of production. By reducing production it was believed that prices would naturally rise. However, prices did not rise enough to affect the problem of farm poverty. In 1938 Congress passed a bill to require federal nonrecourse loans to farmers who accepted the recommended production quotas issued by the USDA. The bill provided direct payments from the government to farmers to maintain parity. A federal crop insurance plan for wheat was also passed. Unfortunately, these programs did not solve the fundamental problems in American agriculture during the Great Depression: low domestic prices and no export market.

The lack of export markets came about because the United States was penalized by its shift after World War I from a debtor to a creditor nation. She was also unwilling to assume a leadership role in world economic affairs. The worldwide rise in tariffs, a deteriorating world economy, and the heightening of nationalism within our trading partners closed export markets and devastated America's farmers. The agricultural problem was not one problem, but a whole

⁴² Perkins, 41.

series of interrelated problems that varied from farm to farm, crop to crop, and region to region⁴³ Strange to say but the cure for this seemingly hopeless situation was global war.

World War II did for U. S. agriculture what the New Deal could not do: it created jobs in war industries that pulled the failing farmers and the unemployed farm laborers out of agriculture and into the armed services or the related civilian war industries.⁴⁴ Agriculture consolidated around fewer and larger farms and prices began to rise. American farmers went from the utter despair of the Depression to real agricultural prosperity. There was no longer a need for federal subsidies. Farming was profitable again. However, Congress was fearful that once the war ended, there would be an economic collapse in farming to parallel the one that followed World War I. This collapse never came.

When the wartime price support legislation expired at the end of 1948 and agricultural prosperity continued, political opinion was divided over what direction federal programs should take. Two distinct schools of thought emerged. One group argued that the level of price support on farm commodities and the extent of government intervention in the farm economy should be minimized. This group included Republican Party leaders, businessmen from the agribusiness arena, and most economists. A second school made up of Democratic Party leaders from the South and the Plains, many farm organization leaders, some government economists, and virtually all union leaders maintained that the goal was to maintain a high level of farm price support in order to protect farm incomes. This group embraced a continued strong role for the federal government in the agricultural economy. For the first time a clear

⁴³ Ibid, 14.

⁴⁴ Cochrane and Runge, 42.

conflict between the two parties erupted over agricultural policy.⁴⁵ That battle was still raging in 1981 and Ronald Reagan and his advisors numbered themselves squarely in the minimalist group. The problem, of course, was that neither side was strong enough to impose its will on the other and strange compromise legislation that really did not address the core issues became the norm for Congressional farm bills.

The Agricultural Act of 1949 served as a template for all subsequent legislation right up to 1981. Congress was virtually schizophrenic in its intentions. The first part of the 1949 bill set price supports at 90 percent of parity for 1949, essentially no change from the status quo. The second part of the bill, however, set up a program of flexible supports for the basic commodities in 1950 and thereafter at the 75 percent level (assuming a normal supply), and allowed for an adjustment downward if the supply exceeded normal. In essence, this change would allow the market to determine the level of price supports. However, Congress could not decide on a firm policy. In 1950 the farm legislation abolished the previous changes and extended price supports at 90 percent of parity: one step forward and one step back. In each subsequent year through 1954 a similar resolution for support at 90 percent of parity passed. Really, these extensions were extended through the administrations of Eisenhower, Kennedy, Johnson, Nixon and Carter. What actually was wrong with federal farm legislation and what could Reagan do to right the ship?

⁴⁵Ibid, 43.

5. The Problems with U. S. Federal Farm Policy.

The farm policy Ronald Reagan inherited lacked a clear focus. Neither party could agree on the purpose of agricultural farm policy among themselves, much less with the other party. Some argued that the purpose was to insure farmers against the vagaries of nature. Some maintained that the purpose was to make farming attractive so that independent farmers would continue to form the moral backbone of America. Some claimed that subsidies increased production making more American farm products available on the world market. A few believed that a transfer of wealth was still needed by small farmers. I would argue that most members of Congress viewed agricultural subsidies as simply another piece of pork for those members who had a large number of constituents involved in farming and allied fields. In the absence of a clear focus for farm policy, the various farm bills often did not even acknowledge, much less confront, the tremendous changes that had occurred in farming since the onset of World War II. There were six million farms in 1940 and 2 million farms during the Reagan administration. Even more, 50 percent of the farms remaining in 1981 had total sales of less than \$10,000 per year. These were obviously not family farms. They were hobbies. In fact 70.7 percent of farms in the United States produced only 7 percent of the family income of the farm operators: the bulk of the family income came from off-the-farm jobs. Thus, only about 30 percent of America's farms in 1981 were truly commercial endeavors. However,

despite the loss of two-thirds of America's farms from 1940 to 1988 the value of agricultural exports from the United States in constant dollars rose 1,600 percent.⁴⁶

The problem with farm subsidies was that 15 percent of farms produced almost 80 percent of the farm commodities sold in 1990. These farms had \$100,000 annual sales or above (net income is usually about one-third of gross). These farmers were upper middle-class businessmen who did not need subsidies from the rest of Americans to be economically viable. Despite their lack of need, 73 percent of farm program benefits went to the wealthiest 15 percent of farms. Furthermore, only 32 percent of farms in all sales categories raised program crops that depended on direct government support.⁴⁷ That meant that two-thirds of farms were not subsidized. An economically viable livestock industry received no direct price-support assistance, nor did raisers of soybeans, one of the principal export crops. Simply put, farm subsidies were both misguided and misplaced. Much of the support for subsidies was based on the fear that if the family farm was not subsidized, corporations would take over farming and hold the nation ransom for high food costs. This fear was simply unfounded.

The term corporation conjured up in the minds of most Americans a huge multinational conglomerate focused solely on corporate profit and the price of its shares. The reality in American farming was that even though many family farmers had incorporated their own farms for tax and other business purposes (such as personal liability), less than one third of one percent of all U.S. farms were non-family-owned corporations in 1981. Actually, farm owners personally farmed 89 percent of these largest farms. Tenants were slightly more likely to

⁴⁶ William P. Browne, Jerry R. Skees, Louis E. Swanson, Paul B. Thompson, Laurian J. Unnevehr, *Sacred Cows and Hot Potatoes: Agrarian Myths in Agricultural Policy*, (Boulder: Westview Press, 1992), 43.

⁴⁷Ibid, 44-5.

operate farms than were owners in each of the three sales categories between \$100,000 and \$250,000, but if small farms were to completely disappear, there was every reason to believe that independent farm operators would continue to provide the bulk of farm production.⁴⁸ Still, its proponents argued that subsidies were necessary to keep up farm families' incomes.

At first glance, high commodity prices would seem to be the solution to farm income problems, and in the very short run, higher prices did raise incomes. But artificially high prices proved a chimera. The subsidies were eventually lost into the price of land. The price to rent land and consequently the price to purchase land reflected the income that could be derived from that land. As a result, crop subsidies drove up the farmer's costs. Those farmers who owned all of the land that they farmed did get the subsidies as income. Most farmers, however, rented a portion of their land or had mortgages that reflected the subsidies. These subsidized farm prices reduced demand for farm products, especially on international markets. Public support of U.S. agriculture in 1981 was built around a flawed concept that defined the farm problem as low farm income and a need for higher prices. But, the farmers of 1981 were not the starving sharecroppers of the 1930s, when these policies were instituted.⁴⁹ Because government payments raised land values, the main beneficiaries of price and income supports were landowners. The top 5 percent of landowners owned over half of U.S. farmland. In short, government programs that resulted in higher land prices skewed benefits towards those who were most well off. High farm prices may have damaged U.S. agriculture in the long run. High prices tended to reduce demand for U. S. commodities abroad and encouraged foreign

⁴⁸Ibid, 46.

⁴⁹Ibid, 62.

competitors. Many supporters of the farm programs also thought that they were helping rural America.

Federal farm programs were not really rural redevelopment programs. In essence, farm policy was and still is industrial policy that benefited some farmers and their industrial partners, the processors.⁵⁰ In 1981 only a small portion of rural Americans relied on farming for their income. On the contrary, many small farmers garnered the bulk of their income from off-the-farm labor. In fact, in rural settings many of the wealthier families were those who had large farms. A corollary to the understanding that farm programs were not rural development programs was the understanding that public policy in agriculture was not the same as a cheap food policy.

By 1980 the cost of food was impacted very little by changes in the cost of farm commodities. The farmer's share of food costs was 24 cents on the dollar.⁵¹ The other 76 cents included transportation, processing, retailing, and restaurant services. Food processing and marketing employed more people and generated a much larger share of the GDP than farming did. Farm prices were only one factor in the cost of food. Thus the price and income support embedded in the federal programs, while costing the government huge amounts of money, had little impact on food prices. There were only three exceptions. Government subsidies did effect: sugar, dairy products, and peanuts. According to USDA estimates, these programs raised the U. S. consumer price of sugar by 43 percent and that of powdered milk by 47 percent.⁵² In reality federal farm policy raised the incomes of the wealthiest farmers. They did

⁵⁰ Ibid, 35.

⁵¹ Ibid, 108.

⁵² Alan J. Webb, Michael Lopez, and Renata Penn, eds., *Estimates of produces and Consumer Subsidy Equivalents; Government Intervention in Agriculture, 1982-87*. Statistical Bulletin No. 803. Washington,

not help rural economies and they did not provide cheap food. The main reason that the aims of these programs were not met was that U.S. agriculture was dependent on the world economy.

The farms of 1981 were commercial farms growing only a few commodities that were targeted to the world economy. Export demand was largely the determinant of both farm income and of federal expenditures on farm programs. Paradoxically, federal programs that reduced supply and artificially raised domestic prices often priced domestic commodities out of the international market. In addition, as proved very true during the Reagan administration, other government policies such as foreign policy, monetary policy, and trade policy had as great an impact on exports and farm income as did farm policy.

As an example of the effects of these other policies on farm income, in 1981 the United States and the European Economic Community (EEC) were trying to deal with trade disputes over long-running economic problems on both sides of the Atlantic that had increased competition for exports and jobs. The Europeans were concerned with barriers to steel imports into the United States. The Americans in turn worried about increased European subsidies on exported farm goods. These tensions emanated from significant differences in the approach to international economic problems. The Reagan Administration's emphasis on monetary restraint to slow inflation had resulted in high interest rates and a strong dollar. The West German Government had complained that a strong dollar was forcing it to keep interest rates higher than would be justifiable for domestic reasons, thus worsening employment prospects in

D. C.: Agriculture and Trade Analysis Division, Economic Research Service, U. S. Department of Agriculture. Cited in Browne et. al. 110.

Germany. French and Japanese officials joined the West Germans in decrying high interest rates, which they warned were threatening a worldwide depression.⁵³

The administration's farm policy was significantly threatened by the European Economic Community's subsidies for agricultural exports. American producers of poultry, sugar, wheat flour, and pasta formally charged the EEC with undercutting their competitive position in world markets by providing export subsidies for European products in violation of the Subsidies Code of the General Agreement on Tariffs and Trade (GATT), which went into effect in 1979.⁵⁴ Though the specifics varied, the four cases all dealt with allegations that the EEC nations, including France, West Germany, Italy, and Britain, provided massive subsidies that enable their producers to undersell their U.S. competitors. The GATT subsidies code, to which the United States and the EEC subscribed, prohibited subsidies that gave the recipient "more than an equitable share of world export trade."

The Americans charged that those subsidies cost American producers billions of dollars in sales each year. The Europeans did not deny that they provided subsidies, but they did deny that they violated the agreement or that their producers had an unfair advantage. The Americans countered that in the poultry industry subsidies of up to \$100 million a year enabled European producers to virtually exclude American producers from the booming Middle Eastern market for whole frozen chickens. The sugar industry in the United States claimed that the EEC, which was a net importer of sugar in 1975, had become the world's leading exporter of refined sugar in just six years through massive subsidies to its sugar-beet producers. The United States

⁵³Clyde H. Farnsworth, "Washington Watch; U.S., Europe and Trade," *New York Times*, 1 June 1981, sec. D, p. 2.

⁵⁴Thomas W. Lippman, "Summer Showdown Seen; Export Subsidies Battle Nearing; US Food Producers Accuse Common Market of Dumping," *Washington Post*, 22 January 1982, sec. D, p. 1.

was an importer of sugar and did not compete on the world markets, but the industry said its domestic price was depressed because the European subsidies drove down the overall world price and cost U. S. sugar producers \$2.184 billion in 1980. The U.S. millers' national federation claimed that subsidies had enabled European millers to capture "substantially all" of the new wheat flour markets around the world. The National Pasta Association claimed that illegal EEC subsidies of Italian producers had enabled the Italians to increase their sales in the billion-dollar U.S. market by 34 percent since 1979 while domestic makers' sales stayed flat.⁵⁵ In the end, in part because of these disputes, agricultural exports to the EEC would fall about 10 percent in 1981. However, this decrease was compensated by a 10 percent rise in exports to Africa and a 72 percent rise in food exports to Latin America. Japan on the other hand was a different story.

Japanese agricultural policies were frustrating to the United States because they were entirely determined by the political needs of the ruling Liberal Democratic Party. These policies were also the major reason for Japan's failure to meet its citizen's needs for housing, roads, and other civic amenities. Japan's budget deficit for 1981 was \$65 billion. That sum equaled 25 percent of its budget outlays and 5 percent of its G.D.P. One of the largest items in Japan's budget was subsidies to farmers. These subsidies amounted to approximately \$20 billion annually. Japanese agriculture was woefully inefficient. Their farms averaged 2.9 acres, compared with 450 acres in the U.S. In addition they planted major crops, such as rice, that could not be grown competitively on such a small scale. However, these farmers were essential to Japan's ruling Liberal Democratic Party (LDP). Japan's population was 70 percent rural at the end of World War II. By 1981 it was less than 30 percent rural; however, there had been no

⁵⁵ Ibid.

electoral redistricting in 35 years. The LDP hung on to power without a mandate because Japan's rural sector was overrepresented by a factor of 3 to 1. Those large government subsidies ensured the loyalty of Japan's farm vote to the LDP. Politically, the L.D.P. could not afford to end the subsidies and could not afford to increase other domestic spending with a budget so out of balance.

Because of these expedients, Japan restricted imports of America's much cheaper products. Japan's consumers were forced to pay for farm subsidies, because they made Japanese food very expensive. The Japanese paid upward of 22 percent of their disposable income for food. That percentage could be lowered if only they imported more of U.S. food, particularly processed foods, such as beef, frozen juice, milled flour, and rice. The United States could deliver these foods for as little as one-fifth the price of their home-grown produce.⁵⁶ In the final analysis the Japanese policy was politically driven and not economically based. In many ways then, the U. S. farm economy was affected as much by external forces as it was by policies made in Washington. What then should Reagan do about agriculture in his first term?

It is clear that there were many flaws and blind spots in the agricultural policy that the new president inherited. It is time now to look at what he would do and what he would attempt to do. There were many administration proposals that were give-aways. That is, some of his proposals were intended to be bargaining chips to be traded away in exchange for legislative votes on issues more important to the administration than those of agriculture. These included a recommended reduction of \$2.8 billion in guaranteed lending by the Farmers Home

⁵⁶ Ibid.

Administration, changes in Rural Electrification Administration Loans, a proposed saving of \$ 312 million for the farm storage facility loan program, elimination of the first year interest on reserve grain loans, and setting interest rates on loans at the full cost of money. There were, however, some serious proposals that merit close inspection. The most important of these involved the dairy program, the food stamp program, the peanut program, and the sugar policy. First we turn our attention to the dairy program.

6. The Dairy Policy.

The Dairy Price Support Program, originally authorized by the Agricultural Act of 1949, directed the establishment of a price support level of milk between 75 and 90 percent of parity. The 1949 act was amended by the Food and Agriculture Act of 1977. The provisions of that legislation included an increase in the minimum support level of milk from 75 percent to 80 percent of parity through March 31 of 1979. It also called for an adjustment of the support price at midyear to reflect any change in the parity index during the first six months of each marketing year. In its price support program, the federal government through its Commodity Credit Corporation (CCC) could not buy perishable milk; rather, it purchased powdered nonfat milk, cheese, and butter. Because the CCC purchased products that were processed, it could not buy directly from the farmers. It had to deal with processors. Thus, the federal subsidy to dairy farmers was an indirect one. At the end of 1980 the CCC held over 1 billion pounds of processed milk products. The estimates for 1981 called for dairy production to exceed demand by 10 percent in the United States. The law required that the CCC purchase whatever excess existed. The estimated cost to taxpayers for 1981 was to be \$2 billion dollars. In addition, federal subsidies were estimated to add \$1.5 billion to the retail price of dairy products. The subsidies would also greatly increase the cost to taxpayers of the food stamp program. If estimates were correct, the 1981 surplus would be the greatest in twenty years and would

threaten to overwhelm the government's existing storage space.⁵⁷ Since dairy products were not exported, they did not help offset petroleum imports in the balance of payments. Dairy subsidies were, therefore, unpopular with the Reagan administration. They were losing favor with the public as well.

Several citizens' groups and a growing number of corporate purchasers of milk products believed the dairy program was the result of a well-financed, special-interest lobby having its way contrary to the broader public interest.⁵⁸ Furthermore, opponents of the dairy program pointed out that most of the federal support payments went to the largest farmers, who needed them the least. According to the Community Nutrition Institute, a Washington based consumer group, 50 percent of the subsidy benefits went to the largest 15 percent of dairy farmers, while only 6 percent went to the smallest 45 percent of farmers.⁵⁹

While every administration during the preceding 20 years had tried to cut the dairy program, the subsidies not only continued, they were regularly increased. The dairy industry, in the words of the *New York Times*, was a "sacred cow."⁶⁰ The dairy lobby was financed by the dues farmers paid to their dairy cooperative. It was one of the biggest spenders in Washington. According to Common Cause, a nonprofit lobbying group for government reform, the political action committees of the three largest dairy cooperatives contributed more than \$1.2 million to candidates during the 1980 Federal elections.⁶¹ Between 1974 and 1978, dairy groups gave \$487,251 to members of the Senate and House Agriculture Committees alone. Jack Anderson

⁵⁷Ann Crittenden, "Federal Support for Dairy Prices Criticized Anew," *New York Times*, 16 February 1981, sec. A, p. 1.

⁵⁸Ibid.

⁵⁹Ibid.

⁶⁰Ibid.

⁶¹Ibid.

of the *Washington Post* reported that the dairy industry subsidized members of the House committee with \$213,310 in 1979-80. The top recipients were Floyd Fithian (D-Ind.) \$15,000, Tom Harkin (D-Iowa) \$12,500, Tom Foley (D-Wash.) \$12,000, Ed Jones (D-Tenn.) \$9,500, Jim Jeffords (R-Vt.) \$9,500, and Arlene Stangeland (R-Minn.) \$8,000.⁶²

Stories of the political clout of the dairy lobby abounded in Washington. In 1971 the industry promised the Nixon campaign a contribution of \$2 million. Not long thereafter, a decision by Agriculture Secretary Clifford Hardin to lower dairy support was countermanded by the Nixon White House and dairy prices were raised instead. In 1980, then Agriculture Secretary Bob Bergland introduced legislation that would have enabled him to stop a scheduled increase in dairy price supports. However, Vice President Mondale intervened and the increase, which raised dairy prices by an estimated \$1.6 billion, went through. Along the same vein, the Community Nutrition Institute asked Mr. Bergland to hold hearings on the price of reconstituted milk, which is similar to whole fresh milk and far cheaper. President Carter was immediately inundated by letters from 104 Representatives and 41 Senators asking that the proceeding not be held. It was not. Common Cause later calculated that 81 percent of the Representatives and 78 percent of the Senators who had signed the letter received contributions from dairy political action committees.⁶³ Anderson described the dairy program in starkly simple terms: "Congress authorizes twice-a-year increases in dairy prices; the dairy industry collects the increase no matter how much it produces or how little its production costs

⁶² Jack Anderson, "The Power behind the Dairy Industry," *Washington Post*, 16 March 1981, sec. C, p. 15.

⁶³ Crittenden, "*Support for Dairy*" sec. A, p. 1.

have risen. Then the industry's political action committees make fat campaign contributions to members of Congress who control dairy price-support legislation."⁶⁴

Other issues with the program had nothing to do with politics. There would have been no problem at all if Americans just drank more milk. In 1960, per capita milk consumption was about 33 gallons, more than twice that of the soft-drink consumption of 14 gallons. By 1979, Americans were buying 38 gallons of soft drinks compared with 28 gallons of milk. Beer was up about 33 percent since 1960 and also had moved ahead of milk.⁶⁵ The advertising budgets of the various drinks determined some of that change. Soft drinks and beer were advertised by a budget of \$435 million in 1980, milk by only \$21 million.⁶⁶ In addition the federal milk programs were simply not keeping up with the times.

Despite all of the economic changes that had taken place in the American economy since 1949, the milk programs remained largely unchanged. The need for any support program for milk was not clear. There were no support programs for beef, poultry, pork, or eggs. The best justification for price supports was that they prevented excessive fluctuations in supply and prices. The government bought milk products during periods of peak production to prevent a price collapse. It was argued that such a collapse would force so many producers out of the business that a price explosion would result later. However, for the Reagan administration, the

⁶⁴ Anderson, "The Power Behind the Dairy Industry" sec. C, p. 15.

⁶⁵ Robert J. Samuelson, "Dairy Price Supports Help Pile Up Surplus," *Washington Post*, 19 May 1981, sec. F, p. 1.

⁶⁶ Congress, House of Representatives, Larry R. Shover, speaking for the Iowa Dairy Industry Commission to the Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Livestock, Dairy, and Poultry, 97th Cong., 1st sess. (25 March 1981) : 6-8.

automatic parity index and the purchase of 7 percent of the industry's output was too much to ask.⁶⁷ In their eyes the real problem was an over supply of milk.

Milk production in 1980 increased to a record of 128.4 billion pounds of milk, a 4.1 percent increase, while sales declined .8 percent. In 1980, the CCC purchased 8.5 billion pounds of milk, about 7 percent of farm marketings.⁶⁸ 1981 promised no let up. On a daily basis, February milk production was up 4.85 percent. The number of cows was up 1 percent and production per cow was up 3.8 percent. Unfortunately milk sales were unchanged. For January and February, the CCC purchased 48 percent of the butter production, 22 percent of cheddar cheese, and 63 percent of nonfat dry milk.⁶⁹

The cause of the continued increase in milk production was multifaceted, but central was the guaranteed profit provided by the federal milk program. In fact, many farmers found that lending institutions preferred to lend to dairy operations over other farming ventures.⁷⁰ Another factor was the depressed markets for grain, beef and pork products. When the price of grain was low, the grain became feed for cattle. When the price for beef was low, marginal dairy cows that would usually be culled and sent to slaughter, stayed in their herds. Sometimes beef herds were transformed into dairy herds in search of better monetary returns. The relatively low price of red meat also affected consumption of dairy products, as did the general economic slowdown. Cheese purchases were especially weak when times were hard and meat was cheap. Increased production in the face of a stagnant market inevitably led to a surplus.

⁶⁷ Samuelson, "Dairy Price Supports" sec. F, p. 1.

⁶⁸ Congress, House of Representatives, Robert Cropp, University of Wisconsin, Platteville Extension, speaking to the Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Livestock, Dairy, and Poultry, 97th Cong., 1st sess. (25 March 1981) : 31-33.

⁶⁹ Ibid.

⁷⁰ Congress, House of Representatives, Larry R. Shover, speaking for the Iowa Dairy Industry Commission to the Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Livestock, Dairy, and Poultry, 97th Cong., 1st sess. (25 March 1981) : 7.

Also increasing the surplus was the fact that since January 1, 1980 multilateral trade negotiations had resulted in the expansion of dairy product imports. Under the terms of the trade agreements, the Undersecretary of Agriculture for International Affairs and Commodity Programs estimated that the agreement would increase U. S. cheese imports by about 15 percent. This amounted to over 36 million pounds of cheese, the equivalent of 360 million pounds of milk. The dairy industry argued that the imported cheese was subsidized by the exporting governments and those 36 million pounds caused 36 million pounds of American cheese to be purchased by CCC.⁷¹ The question might well also be asked: why would the United States import six times more dairy products than it exported in 1980 in the face of such a huge surplus?

The surplus was expanded, in the view of the dairy industry, by the importation of milk protein, mainly in the form of casein. Historically, casein had been used in such industrial applications as adhesives, paper coatings, and plastics. Because of this use, casein was not counted as a dairy import by the Federal government. In recent years, however, these uses had declined as cheaper synthetic products had been developed. In 1955, the U. S. Department of Agriculture estimated that less than two percent of the 77.5 million pounds of casein utilized in the United States during the year went into food and animal feed products. A study by the U. S. International Trade Commission in 1979 indicated that 79 percent of the U. S. casein use in 1978 went into food and feed products and projected that to rise to 81 percent during 1979.⁷²

⁷¹ Congress, House of Representatives, Earl Baudler, dairy farmer, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Livestock, Dairy, and Poultry, 97th Cong. 1st sess. (25 March 1981): 36.

⁷² Congress, House of Representatives, Patrick Healy, Secretary, National Milk Producers Federation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Livestock, Dairy, and Poultry, 97th Cong. 1st sess. (25 March 1981) : 100

Casein had a wide range of uses in food and feed products including in imitation dairy products, coffee whiteners, frozen desserts, whipped toppings, bakery products, breakfast foods, diet foods, calf milk replacers, animal feeds, and pet foods. In these uses, the industry argued, casein displaced domestic skim milk that then was forced into the CCC through Dairy Price Support Programs. The USDA, on the other hand, disagreed with industry allegations. In two separate studies, they found no overlap between imported casein and the dairy industry.

In reality, the industry believed that a certain surplus of milk production was mandatory. It argued that a CCC stockpile of 3 billion pounds was necessary in order for the country to have enough milk. " If we are one load short in Boston, it does not help us a bit to have two loads too many in Salt Lake City. So, there must be throughout the year a little bit too much in order to have enough." ⁷³ The dairy industry also argued that the Department of Agriculture used 2.5 to 3 billion pounds of milk a year to feed the poor and the young and as part of its foreign aid programs. That amount, in their view, was exactly the surplus needed to have good distribution and sufficient milk everywhere. In essence, for the industry, there was no surplus.

That kind of reasoning was completely lost on the Reagan Administration. Dairy products were not exported in any appreciable amount and thus paid for no oil. They wanted no surplus and no deficit in the CCC, especially not one of \$2 billion per year. Therefore, they made two specific proposals for the Dairy Price Support Program. They wanted to abolish the bi-annual price changes and go back to a once a year adjustment. They also wanted to reduce the support level of dairy products from 80 per cent of parity to 70 per cent. ⁷⁴

⁷³ Ibid, 101.

⁷⁴ Congress, House of Representatives, John R. Block, Secretary of Agriculture speaking to the *Committee on Agriculture, House of Representatives, 97th Cong., 1st Sess , (March 31 1981) :* (Washington: GPO, 1981) 431.

The dairy industry countered that milk was produced and marketed every day. Because inflation had been so high, the price support had been eroded significantly every month. Thus, in the absence of the semiannual adjustment, the real level of price support provided the dairy farmer in September, the last month of the marketing year, would be markedly lower than that when the support level was established 12 months earlier. The semiannual adjustment was a needed means of partially offsetting the effects of inflation because the dairy farmer faced a far different situation than producers of other price-supported crops. In the case of most other commodities, a single crop was harvested once a year and a price support level could be determined for the year. Because the dairy crop was harvested and marketed daily, the semiannual adjustment was simply an attempt to provide a more uniform degree of price assurance to the dairy farmer throughout the marketing year.⁷⁵ The Administration did not accept this argument and sprang into action early in an attempt to implement their proposals.

The dairy battle posed a crucial test for the new administration. Because the index adjustment would occur automatically on March 27, vigorous and decisive action was needed. Without such action, the subsidy for milk would increase 8 cents per gallon, butter 10 cents per pound, and cheese 9 cents per pound. Reagan was focused on implementing his economic plans. He needed to demonstrate his commitment to cut unnecessary government programs in order to convince Congress to approve his tax cuts. This was also a test of his effectiveness in dealing with lawmakers. So, for several reasons it was incumbent upon Reagan to reel in this runaway dairy program. The administration's backers began by introducing a one sentence bill

⁷⁵ Congress, House of Representatives, Patrick Healy, Secretary, National Milk Producers Federation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Livestock, Dairy, and Poultry, 97th Cong. 1st sess. (25 March 1981) : 101.

in the House of Representatives to slash the semiannual price adjustment for the dairy programs.

The dairymen's backers in Congress did not go down without a fight. The subcommittee on dairy of the House agriculture committee rejected the Reagan proposal. The Senate was much more amenable to the administration's program; however, there were many amendments and much last minute finagling before the measure to cut the adjustment passed in the Senate. The House reluctantly followed suit and the administration had its first crucial victory, albeit a small one. The change promised to save the government only about \$147 million.⁷⁶ The real problem was what to do about the \$2 billion that the treasury stood to lose unless something could be done about the fundamentals of the existing dairy program.

The economic problem posed by the dairy program for the Federal budget was that the price-support guaranteed that dairy farmers could increase their revenues by increasing production regardless of the relationship between supply and demand. By October, from California to Georgia, the Government's stores were up to 777 million pounds of nonfat dry milk, 544 million pounds of cheese, and 274 million pounds of butter. Fifty percent of that inventory was committed to the Federal school lunch program, the military, the international Food for Peace program, and export sales. The rest was surplus. Except for certain "restricted sales" and donations, the Commodity Credit Corporation was prohibited from selling the surplus domestically in a way that would depress the market.⁷⁷ The economic problem for the farmers was that collectively they were producing too much milk, but on an individual basis the

⁷⁶Steven V. "Roberts, "Bill to Block Dairy Support Rise Survives Bids to Cripple Proposal," *New York Times*, March 25, 1981, sec. B., p. 7.

⁷⁷"As Big Dairy Surpluses Grow, So Do US Wishes to Shed It", *New York Times*, 3 October, 1981, Sec. 1; Part 2, p. 74.

farmers all needed to increase production because costs were rising. In the economic world view of the Reagan Administration that situation simply could not continue. The marginal and inefficient farms would have to go. Those marginal and inefficient farmers, of course, would not go without a fight, and the fight was waged within the Congress. The dairy portion of the Farm Bill was among the most contentious.

After compromises by both sides and hours of dispute over how much the dairy supports would actually cost, the provisions on dairy programs in the final Farm Bill of 1981 were finally hammered out. At first glance the bill appeared to have abandoned the concept of parity. The dairy price supports for 1982 were to continue at the current level of \$13.10 per hundred pounds of milk. For the following three years the rates would be \$13.25, \$14.00, and \$14.60 respectively. These rates were figured in dollars with no mention of parity. That would have been a major improvement because parity was a flawed concept. It did not reflect the major gains in farm productivity, nor did it reflect the markedly reduced number of farmers. However, the bill also provided that beginning in 1983, the minimum support would be 70 percent of parity in any year in which anticipated federal purchases of dairy products were less than \$1 billion. (The USDA estimates at the time of passage of the bill forecast 70 percent of parity to be \$13.97 per hundredweight in 1983, \$15.53 in 1984 and \$17.40 in 1985)⁷⁸ Further, if the amount of milk the government had to buy decreased to less than 4 billion pounds in 1983, 3.5 billion in 1984, or 2.69 billion in 1985, the support level would rise to 75 percent of parity, or about \$18.63 per hundred pounds. The Government expected to buy 8.6 billion

⁷⁸ *Congressional Quarterly Almanac*, 1981, 535-36

pounds of dairy products in 1982.⁷⁹ While these changes were only modest, they were indeed changes, and changes in the direction the Administration wanted.

Such changes were mandated by the reality that dairy products were not large export items. The Reagan Administration wanted to keep the domestic prices of dairy products low. They also would not countenance high price supports in the face of both a large domestic dairy surplus and a large Federal deficit. It was not that simple, of course. There were political ramifications no matter which way the new administration turned. Every dairy farmer who went out of business had to be reincorporated into the economy in some other role, hopefully without the loss of a large amount of income taxes. Then there were the effects of the liquidation of dairy herds into an already depressed cattle market. Each dairy farmer affected by cuts in the support system was also a constituent of someone in Congress and the overall influence of the dairy lobby was great. Within these parameters the Administration did about as well as was possible with the dairy program. However, abolishment of parity as a concept and the elimination of the support system completely had to be left for another day. After all, as big as the dairy program was, it was a midget compared to the size of the Food Stamp Program.

⁷⁹ Seth King, "Conferees Agree on Dairy Supports", *New York Times*, 7 November 1981, sec. 1, p. 7.

7. The Food Stamp Program.

There was no middle ground when it came to the Food Stamp Program. You either loved or hated it. The poor loved it because for many of them food stamps were the difference between health and malnutrition. When the Reagan administration looked at it, they could see nothing to love. Ronald Reagan described the Food Stamp Program as a paradigm of the "welfare extravagance" and "uncontrolled spending" he had been attacking for two decades. All David Stockman could see was more than \$12 billion flowing out of the Federal treasury every year. The Federal government was spending \$9.7 billion on food stamps in 1981 and was projected to spend \$12.9 billion for the same program in fiscal 1982. That was a 33 percent jump in one year. The food stamp budget had grown by 95 percent over the previous three years. The *Washington Post* described its growth this way: "If you make a chart of the program's 17-year life, the graph looks like the side of the Empire State Building -- there are a few ledges, but mostly the dollar curve goes straight up."⁸⁰

The Food Stamp Program was not popular with the public either. Stories abounded about food stamps buying lobster tails and Porterhouse steaks. The legend of the "welfare queen," a heavy woman driving a big white Cadillac and paying for thick steaks with wads of food stamps, had become a rhetorical staple for conservative politicians, including Reagan.⁸¹ In a CBS/New York Times poll on May 3, 1981, 47 percent of those polled were in favor of reducing spending

⁸⁰ T. R. Reid, "The 1982 Federal Budget; It's Tough to Trim -- Whether From a Line Item or a Big Project; Juicy Target: Food Stamps," *Washington Post*, 16 January 1981, sec. A, p. 1.

⁸¹ Steven V. Roberts, "Food Stamp Program, How It Grew and How Reagan Wants to Cut It Back," *New York Times*, 4 April 1981, sec. 1, p. 11.

on food stamps, while only 25 percent of those polled supported cutting Federal aid to college students and only 24 percent favored cutting aid for the unemployed.⁸²

Under the food stamp program, the Department of Agriculture provided stamps, a kind of currency, which could be used only to buy food. The states distributed the stamps each month to people who could prove their need. Food stamps were the only major federal benefit paid out strictly on the basis of poverty; anyone poor enough could get stamps regardless of age, health, family status, or work history. Approximately 22 million people (about one of every ten Americans) received food stamps in 1981. The number of stamps one received depended on the recipient's financial status; the higher a person's income, the lower his benefit. The average allotment was about \$41 per month per person.⁸³

Food stamp benefits protected the nation's poorest people against the most devastating effects of inflation and unemployment. The average annual income of food stamp households in 1980 was about \$3,900 a year, well below the poverty level. While everyone had felt the effects of inflation in recent years, food stamp households had been especially hard hit. Between 1975 and 1979, the Consumer Price Index for necessities went up 32 percent and net household income went up 40 percent. The income of food stamp recipients increased only 17 percent.⁸⁴ The Federal Census Bureau estimated that in 1979 about 5.9 million households received food stamps, and that 66 percent of those households included children under the age of 19. Of these, 42 percent were families in which no husband was present. Of the households

⁸² Adam Clymer, "Public Prefers a Balanced Budget to Large Cut in Taxes, Poll Shows," *New York Times*, 3 February 1981, sec. A, p. 1.

⁸³ Reid, "Food Stamps" sec. A, p. 1

⁸⁴ Congress, House of Representatives, John T. Dempsey, Director, Michigan Department of Social Services, speaking to the Committee on Agriculture, General farm bill of 1981: Subcommittee on Domestic Marketing, consumer relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 231.

receiving food stamps 17 percent were made up of persons sixty-five or over. Food stamp households were 63 percent white, 35 percent black, and 10 percent Hispanic.⁸⁵ While the principal reason for the food stamp program to exist was to assist low-income households with their food purchases, the program was also important to farmers in providing a market for many products on which there were no direct farm subsidies. About half of the food stamp expenditures went for commodities which had no direct Federal support mechanisms.⁸⁶

There were two main reasons for the remarkable expansion of the Food Stamp Program. One had been the rise in unemployment and inflation during the 1970's, both of which had pushed the marginally poor into poverty. The other had been the removal, in 1978, of the requirement that participants buy their food stamps on a sliding scale based on the amount of their income and the size of their family. This provision was replaced by a policy of providing free stamps.⁸⁷

The Food Stamp Program began as a pilot project in 1961 during the halcyon days when John Kennedy was president. The goal of the program was to alleviate hunger among the poor in America and to use up surplus farm products. The program was enacted into law in 1964 during the height of the national guilt surrounding the Kennedy assassination and the civil rights agitation, but states were given wide latitude in deciding how to dispense food stamps. At first many states did not participate. No more than 425,000 people were served in 1961, at a

⁸⁵“Census Finds US Benefits Reach 1 Out of 3 Families,” *New York Times*, 13 March 1981, sec. A, p. 12.

⁸⁶Congress, House of Representatives, Ruth Kobell speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, consumer Relations, and Nutrition, 97th cong. 1st sess. (17 March 1981) : 342.

⁸⁷Jean Mayer and Kenneth Schlossberg, “Tighten Food Stamps But Don’t Deprive the Needy,” *New York Times*, 7 February 1981, sec. 1, p. 1.

cost of \$30.5 million.⁸⁸

The major impetus to the Food Stamp Program came with the publication in 1967 of the Field Foundation investigation of hunger in the United States. Their findings were that hunger, malnutrition, and starvation were widespread in Appalachia, the Southwest, and in inner city slums. The physicians who conducted the study described children with swollen bellies and glassy eyes who were suffering from growth retardation, mental retardation, and illnesses that would shorten their lives. The elderly were also starving in those areas. So too were expectant mothers. The rate of miscarriage due to malnutrition was much higher in those pockets of poverty than in any other area of the country.

President Richard Nixon sent a message to Congress in May of 1969 stating that it was time to put an end to hunger in America for all time. In 1971, Public Law No. 91-671 took eligibility determination out of the hands of the individual states and proclaimed uniform standards for all states. In 1974 Public Law 93-86 mandated that the Food Stamp Program be operative nationwide including Puerto Rico. Law S. 275 passed in 1977 eliminated the purchase requirement for food stamps and participation skyrocketed.

When President Reagan announced his budget proposals on February 18 in an address to a joint session of Congress, he declared: "We will continue to fulfill the obligations that spring from our national conscience. Those who through no fault of their own must depend on the rest of us, the poverty-stricken, the disabled, the elderly, all those with true need, can rest assured that the social safety net of programs they depend on are exempt from any cuts."⁸⁹

⁸⁸ Roberts, "Food Stamps Program" Sec. A, p. 1.

⁸⁹ David E. Rosenbaum, *New York Times*, 17 March 1981, sec. A, p. 1.

The “social safety net” as defined by the Administration was made up of: Social Security retirement and survivors' benefits, Medicare, veterans' compensation and pensions, Supplemental Security Income, free school lunches, Head Start, and summer jobs for youths. It did not include the Food Stamp Program and therefore that program was to be a part of the substantial reduction in the growth of Federal expenditures. The problem with that scenario was that the “social safety net” had very little to do with the poor. Eighty percent of the dollars spent on those seven programs went to people who were above the poverty line, and over 50 percent went to benefit people living above two times the poverty line. Actually, 85 percent of the outlays for these programs went to Social Security and Medicare. Eighty-seven percent of the recipients of Social Security lived above the poverty line. Only 14 percent of those covered by Medicare lived below the poverty line. Two-thirds of the money going to the other five programs was directed to veterans, the majority of whom lived above the poverty line. In fact, only 5 percent of the federal spending for these seven programs went to projects that were primarily directed at the poor. Of the 25 million poor in the United States in 1981, 25 percent received nothing at all from those seven programs.⁹⁰

The real safety net consisted of a series of programs which were income-tested and targeted for the poor. They were expensive, but not nearly as expensive as social security and Medicare. These programs were Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), food stamps, Medicaid, and various housing and low-income energy assistance programs. With the sole exception of SSI, every one of the programs was targeted for sharp cuts by the Reagan Administration. Many of the cuts in these different

⁹⁰ Ibid.

programs hit the same families. The combined impact on families living far below the poverty line was devastating. There was not a single state in the United States where combined AFDC and food stamp payments equaled the poverty line. In over half the states the combined benefit level was below 75 percent of the poverty line.

Food stamp benefits were not overly generous. The average food stamp benefit was 44 cents per person per meal in 1981. A maximum for a household with no disposable income was 64 cents per person per meal. In addition, most of these families were significantly worse off than they had been several years before. AFDC benefits were not automatically indexed. Between 1976 and 1979 USDA surveys found that, while the Consumer Price Index went up 32 percent and the average per capita income for the country went up 40 percent, the average gross income of food stamp recipients went up only 17 percent.⁹¹ In reality, the poor were getting poorer with each passing year.

The main finding of the Field study was that pregnant women, infants, and children were so malnourished that the next generation of citizens was in danger of being so ill or retarded that they could not hope for a meaningful adulthood. Both in moral and fiscal terms this situation promised disaster for the United States. In reviewing the range of federal efforts which could influence maternal and child health, none seemed more important than those designed to provide these victims with the minimal necessary food for healthy growth. Such programs would not only provide healthier and more productive citizens, they would also act as

⁹¹Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 204-5.

insurance policies to prevent serious disabilities for which the federal government otherwise would have to provide.

The relationship between the nutrition of the mother and the outcome of the pregnancy had been the subject of numerous studies. The rapid growth of the fetus during pregnancy required an extra intake of calories, protein, vitamins, and minerals. There was considerable evidence that the nutritional health of the woman and her diet during pregnancy influenced her weight gain, which had in turn been demonstrated to determine infant birth weight. Women who were malnourished when they became pregnant or who failed to gain enough weight during pregnancy were at a greater risk for having low-birth weight babies. Such babies were more likely to suffer from physical and mental handicaps than normal-birth-weight infants. Statistics indicated that a low-birth weight baby was 20 times more likely to die than a normal weight infant. Low-birth weight ranked as the eighth leading cause of death for infants in the United States in 1980.⁹² Prior to the Food Stamp program, significant numbers of preschool children suffered from malnutrition. This is why the program was so vital for the poor.

The positive side of the program was that it worked. In a retrospective investigation ten years after the first Field Foundation report, the investigators found major improvements.

Our first and overwhelming impression is that there are far fewer grossly malnourished people in this country today than there were ten years ago ... This change does not appear to be due to an overall improvement in living standards or to a decrease in joblessness in those areas. In fact, the facts of life for Americans living in poverty remain as dark as or darker than they were ten years ago. But in the area of food there is a difference. The Food Stamp Program, the nutritional component of Head Start, school lunch and breakfast programs have made a difference.⁹³

⁹²Congress, House of Representatives, Aaron Shirley, M.D. a practicing pediatrician in Jackson Mississippi, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 519-22.

⁹³ Ibid, 522.

All available evidence indicated that food stamp benefits were effective in helping meet the nutritional needs of households and were a preventative against hunger and malnutrition. This was particularly true in those pockets of poverty hardest hit by unemployment and recession. Food stamps also supported the economies of these same areas by boosting retail food sales, and farm income. Additionally, a rising demand for food increased the demand for other goods and services throughout the economy because recipient households were able to divert some of the money saved on food to the purchase of other necessities. Thus, as food stamp money reverberated throughout the economy, more demand for labor occurred and the employment rate improved.⁹⁴

The negative side of the Food Stamp Program was that by 1981 22 million citizens received food stamps at a cost to the Federal Government of \$11 billion.⁹⁵ In the eyes of the critics there were many more drawbacks. They were convinced that many recipients sold their stamps in order to buy alcohol and tobacco. The critics also maintained that to support the poor was to support laziness and a lack of personal responsibility. In short, many felt that too many undeserving poor got food stamps. One of the major problems was how to define poverty.

The definition of poverty in the eyes of the Federal government was wrapped up in the idea of a “poverty line”. In 1962 in the midst of the Civil Rights upheaval, Michael Harrington published a book entitled *The Other America*, in which he described the degree to which

⁹⁴ Congress, House of Representatives, Robert Fredericks, Assistant Commissioner in the Division of Income Maintenance, NYS Department of Social Services speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong, 1st sess, (17 March 1981) : 225.

⁹⁵ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 603.

poverty was pervasive in the United States. In response to this stimulus President John Kennedy ordered his staff to begin an attack on poverty. After the assassination of Kennedy, President Lyndon Johnson took up the problem of poverty in the United States as one of his major policy thrusts. He ordered the Council of Economic Advisors to estimate the number of poor people in America. The council's estimate was based upon a study by the Social Security Administration of the income needed to support a nonfarm family of four. Actually, two standards for such a family were derived, both based on estimates of dietary costs prepared by the Department of Agriculture. A low-cost budget that remained consistent with the food preferences of the lowest third of the population in terms of income and adequate to avoid most nutritional deficiencies resulted in a budget of \$3,995. That sum was much higher than welfare agencies were willing to allow for families receiving public assistance. To accommodate the needs of these agencies, the SSA came up with second economy budget based on a deficient diet that was designed only for emergency use. The second diet cost \$3,165 and that number was used as the basis for the figure of \$3000 of annual income that the Council adopted as the poverty line for food expenditure.⁹⁶

The official poverty line used in 1981 to determine eligibility for food stamps was based on the one chosen in 1964, not to determine how much food people needed to escape poverty but to meet the administrative needs of the welfare agencies. That original poverty line incorporated an emergency diet concocted by the Office of Civil Defense for a post-nuclear attack period, and it was later acknowledged by USDA to be nutritionally inadequate. The cost

⁹⁶ Congress, House of Representatives, Rev. George A. Chauncey, chairman of the Interreligious Taskforce on Food Policy speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 253.

of that emergency diet was multiplied by 3.3 on the assumption that a low-income family spends roughly 30 percent of its income on food. Subsequently, a few modest adjustments had been made in determining the poverty line base, and the figure was adjusted annually in light of rises in the all-item Consumer Price Index (although the rise in the all-item CPI was less than the rise in food costs). Commenting on the reliability of the “poverty line” the House Select Committee on Aging, dated, August 6, 1978 stated:

Implicit...is the assumption that an amount above this figure will provide an adequate, decent, humane standard of living, and that this figure is an adequate reflection of what it costs...to live in the real world. In fact, both assumptions range in validity from highly questionable to pure fantasy.⁹⁷

The inadequacy of the official poverty line was important because eligibility for food stamps depended on one’s net income being less than the poverty line after certain deductions were made. Many Americans were not aware of how artificially low the official poverty line actually was. Most were under the impression that both current law and the Reagan proposals were too generous and allowed many non-truly-needy to benefit. In reality, the “non-truly-needy” were already ineligible for food stamps.⁹⁸ Some argued that the Food Stamp Program was the only safety net for a large number of the poor in America. However, having decided that the Food Stamp Program was not part of the “social safety net,” the Administration included their Food Stamp proposals under the Program for Economic Recovery. That plan consisted of four major components: a substantial reduction in the growth of Federal expenditures; a significant reduction in Federal taxes; prudent relief of Federal regulatory

⁹⁷ Ibid, 254.

⁹⁸ Ibid.

burdens; and a monetary policy on the part of the independent Federal Reserve System that was consistent with those policies.⁹⁹

Obviously, the part about a substantial reduction was the operative idea concerning food stamps. It was the position of the Administration that over the years changes in eligibility standards had caused the program to expand its coverage to the extent that it had seriously drifted from its original goal. They described the current program as one that was not clearly targeted for the nutritional assistance of low-income households. Rather, they maintained that middle income households had been able to use it as an income subsidy program. Therefore, unnecessary program costs which strained Federal resources could not be allowed if federal expenditures were to be substantially reduced.¹⁰⁰

The contention that the Food Stamp Program was being used by middle-income households as an income subsidy program simply could not stand the light of day. United States Department of Agriculture survey data for 1980 showed that more than 50 percent of Food Stamp households had gross incomes of less than \$300 per month, while ninety percent had gross incomes below the poverty line during the period they received food stamps. Ninety-three percent had liquid assets of less than \$500 and more than fifty percent had no liquid assets at all. Over fifty percent of households did not own a car or other means of transportation. Seventy-eight percent of those receiving food stamps were children, elderly, disabled or single parent heads of households.¹⁰¹ There was no question that the recipients of food stamps were poor. In fact, food stamps were available to the eligible working poor, intact families, and individuals who did not qualify for any other type of public assistance or

⁹⁹ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 601-2.

¹⁰⁰ Ibid, 606.

¹⁰¹ Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 206.

income security programs. Eleven percent of food stamp households were headed by adults who worked full time and still did not earn enough to pull above the poverty line. In many states, food stamps were the only form of help offered to families with both parents present and unemployed. They were often the only assistance available to couples without children and people who were too old, unskilled, or sick to work and too young for other benefits. The Food Stamp Program filled in gaps in the welfare system because it was the only nationwide, noncategorical program. Significant limitations on eligibility would cause serious hardship for many people and would cripple the emergency resources of state and local governments and private charities.¹⁰² No matter what the savings, the hardships caused would be great.

The Administration estimated that their proposals would save \$2 billion in Fiscal Years 1982 and 1983. This would represent a 16 percent decrease in program costs in Fiscal Year 1982. Savings would grow to \$3 billion in Fiscal Years 1984 and 1985. Thus they projected a total budget savings of \$10 billion during the next four fiscal years. They claimed that their intention was to protect benefits for households, following the original purpose of the program, and also significantly reduce spending.¹⁰³

An analysis of the proposed Reagan Administration budget for 1982 showed a \$48.7 billion cut in the total federal budget, amounting to a seven percent reduction overall. An across the board cut would reduce the estimated cost for the Food stamp Program of \$11 billion by \$770 million or 7 percent. The Administration proposed \$2 billion in cuts or an 18.1 percent decrease.¹⁰⁴ In New York

¹⁰²Congress, House of Representatives, John T. Dempsey, Director of the Michigan Department of Social Services speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981): 231.

¹⁰³ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 607.

¹⁰⁴Congress, House of Representatives, Ellen Haas, Community Nutrition Institute speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 346.

City 820,000 people on public assistance; nearly two-thirds of whom were children, made up the largest group of food stamp recipients. An average welfare mother with three children received \$476 dollars per month in public assistance and \$150 a month in food stamps. Her rent was \$218 per month. Therefore, she had a total of \$91 a week to pay for food for four people, gas, electric, and telephone bills, clothing, laundry, school supplies for children and all other expenses except medical care. At the same time the city's department of consumer affairs estimated that food alone for a family of four cost \$104 per week.¹⁰⁵

Viewed from the standpoint of the poverty of the recipients of food stamps, the proposals put forth by the Reagan Administration were nothing short of Draconian. The first proposal from the Administration concerning food stamps would restrict eligibility for food stamps to households with gross monthly incomes at or below 130 percent of the poverty line. The program as it stood used net monthly income after allowable deductions to determine eligibility and benefit level.¹⁰⁶ The Administration maintained that if their deductions were high enough a family of four without elderly members could qualify with an annual gross income of up \$14,000. That income was about 160 percent of the poverty level. Because there was no limit on deductions for shelter or medical expenses for elderly and disabled members of a household, such households could have incomes that approached 180 of the poverty level and still be eligible for food stamps. By using a gross income level of 130 percent the upper limit of income for a family of four would be reduced to about \$11,000.

¹⁰⁵ Congress, House of Representatives, Jack Krauskopf, New York City Human Resources Administration speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Con. 1st sess. (17 March 1981) : 401.

¹⁰⁶ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 608.

Between the Food Stamp Act of 1977 and the one of 1980, eligibility for the program had been reduced by over 6 million people. More than 1.5 million actual participants were dropped. In 1981 less than 30 million people, even with the currently high unemployment rate, were eligible for the program. This was 6 million fewer than were eligible in 1975. The Reagan proposal would reduce the eligibility of at least two million additional people. Despite this drastic reduction in eligibility standards, participation in the program was up substantially. The unemployment rate was up about 2 percent from 1977. Each 1 percent of unemployment added 1.25 million eligible people. It was the state of the economy that accounted for the high cost of food stamps.

The Department of Agriculture estimated that with each 1 percent rise in food prices, \$148 million was added to the cost of the program. Had inflation and unemployment remained at 1977 levels, the cost would have been \$3.8 billion less than in 1981.¹⁰⁷ The estimated saving of this Reagan proposal was \$273 million in Fiscal Year 1982.¹⁰⁸ That would be accomplished primarily by eliminating low-income working families with incomes between 130 and 150 percent of the poverty line who had high shelter or child care costs and some elderly persons receiving social security. The cut would ironically hit hardest at those people who were trying to work their way out of dependence on public programs.

It was the perception by taxpayers that food stamp recipients didn't work hard enough that led to the unpopularity of the program and its susceptibility to budget cuts. Ironically, the

¹⁰⁷ Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 208-9.

¹⁰⁸ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 608. .

plan to limit eligibility for Food Stamps to those with gross income below 130 percent of the poverty line, while continuing to base allotments on countable income, would create a serious work disincentive. It would be necessary for them to work less in order to maintain eligibility. That would, of course, lead to higher Food Stamp costs and more recipient dependency on the Federal government.¹⁰⁹ If a recipient household earned one dollar more than 130 percent of the poverty line, they would lose their benefits. That loss would amount to a reduction of \$120 to \$876 a year depending on the size of the household. Almost half of the households on the Food Stamp Program in 1979 worked. Twenty-five percent worked 40 weeks or more. Of the 1.514 million households on the program who had annual gross incomes over 130 percent of the poverty line, 79 percent worked. So the potential for 1.2 million households to work less in order to maintain eligibility was great.¹¹⁰ Setting the standard at the \$11,000 level, by the Administration's reasoning, set benefits at about the level set for the National School Lunch Program, extending eligibility to those who were just over the poverty level but not including those who had sufficient income to manage on their own.

It was the overlap of the Food Stamp Program and the National School Lunch Program that led to the Administration's second proposal for reducing the cost of food stamps. The argument was that most school age children whose families got food stamps were also eligible for free school lunches so that, in effect, the Federal government bought these kids two lunches every school day. It seemed obvious to the Administration that a reduction in food stamp benefits received by families with students eligible for free school lunches was in order. The

¹⁰⁹Congress, House of Representatives, Timothy Smeeding, Associate Professor of Economics, University of Utah speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 683.

¹¹⁰ Ibid, 690.

proposal included a formula calculating how much each household would lose using the average national school attendance. If this proposal were to be implemented in a timely manner, the estimated savings would be \$522 million in Fiscal Year 1982.¹¹¹ Two-thirds of the households and 71 percent of the children who would be affected by this proposal were below the poverty line. Fifty-five percent of the affected children were in families where the head worked and more than half of those heads worked 40 weeks or more each year. Sixty-two percent of the affected children were in families with a female head of household with no adult male present.¹¹²

The claim that the Food Stamp Program duplicated the school lunch program can be described most kindly as artful. Food stamp benefits were based on the Thrifty Food Plan. That plan provided about 44 cents per meal, an amount insufficient to purchase three healthy meals a day. When the Department of Agriculture adopted this plan it cited the availability of free school lunches as a major factor in making its decision. Now the administration found a duplication in those benefits. This perhaps comes under the heading: catch 22.

The Thrifty Food Plan had been a source of controversy for many years. By law, the food stamp allotments were based on Thrifty Food Plan costs for a four-person household consisting of two adults—a man and a woman—age twenty to fifty-four, and two children, one in the six to eight age group and the other age nine to eleven. The allotments for other household sizes were extrapolated from this hypothetical four-person household allotment level. The plan was

¹¹¹ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 6098.

¹¹² Congress, House of Representatives, Timothy Smeeding, Associate Professor of Economics, University of Utah speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 686.

developed by nutritionists, economists, and computer experts at the Department of Agriculture. They compiled a list of seventeen food groups with monthly amounts for each food group that should be purchased by this average family of four. The cost of the Thrifty Food Plan for this fictitious family was the maximum allowable level for all four-person households. The cost of the plan was updated monthly, but the food stamp benefits were only updated once a year. It is important to remember that the Plan was developed around a predetermined cost figure. The Department of Agriculture did not set out to find out how much money was necessary to ensure that everyone received enough of the foods they need to be nutritionally healthy. Instead, it began with a cost figure and then used computers to calculate what an average food stamp family of four could buy within this figure that would come close to a nutritionally adequate diet. These calculations were predicated on buying food in bulk at nationally average prices. That means if a recipient lived in an inner city neighborhood or a rural area without access to national chain stores, (just those areas noted in the Field study) food stamps wouldn't purchase an adequate diet. The diet also assumed that each family member was healthy and had no special nutritional needs. It assumed that no one in the family engaged in heavy physical activity because that would require extra calories. It assumed no pregnancies in the family. It also assumed no teenage boys during their growth spurts were included in the family. Waste figures could not exceed 5 percent despite the fact that the national average wastage in 1980 was 25 to 30 percent and despite the fact that lower cost foods had a higher content of inedible parts and often spoiled faster than higher priced foods. The Department of Agriculture used figures that were four to fifteen months old in

making food stamp allotments. Therefore, subsequent inflation was not accounted for, nor were state and local sales taxes considered in the food stamp calculations.¹¹³

Further, food plan menus published by the Department of Agriculture were found to contain less than the recommended dietary allowances in eight of the seventeen food groups contained in the Thrifty Food Plan. The USDA acknowledged that in its most recent statistics for 1981 only 16 percent of those who spent the amount of money prescribed by the Thrifty Food Plan would achieve 100 percent of the Recommended Dietary Allowances and only 50 percent of these households would achieve two-thirds of the Recommended Dietary Allowances.

In 1977 Congress acknowledged that the Food Stamp Program did not provide a complete diet, but rather a supplement intended to help low income families improve their diets. They altered the mission statement to read, “The purpose of the program is clear; it exists to...permit low-income households to obtain a more nutritious diet...” Language stating that the purpose of the program was to provide a “nutritionally adequate diet...” was dropped.¹¹⁴

The Thrifty Food Plan simply did not provide three good meals a day. The free lunch a low-income child received was not an extra or duplication of benefits, and it was certainly not a fourth meal. If the value of a child’s free lunches were to be subtracted from the benefits his or her family received from the Food Stamp Program, the result would be a further decrease in the nutritional adequacy of the diet his family would be able to purchase.

In April of 1980 the United States Department of Agriculture stated in the Federal Register:

¹¹³Congress, House of Representatives, Lynn Parker, Nutritionist for the Society for Nutrition Education speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 489-90.

¹¹⁴ Ibid, 491.

The Department recognizes that a number of factors make it difficult for many families to obtain an adequate diet on the amount of money which represents the cost of the Thrifty Food Plan. In fact, data on food consumption among low-income households indicates that fewer than one in ten families spending an amount of money equivalent to the cost of the Thrifty Food Plan received 100 percent of the Recommended Daily Allowances. Less than half received even two-thirds of the Daily Allowances. . . The average food purchaser, without specific nutritional skills and training, would find it difficult to make the food choices which provide an adequate diet on the amount of money which represents the cost of the plan.¹¹⁵

In fact, it would have been difficult for a qualified nutritionist to provide a nutritionally sound diet for most families on food stamps. The Thrifty Food Plan menus would provide enough protein, calcium, iodine, vitamin A, vitamin C, phosphorous, vitamin B-12, and riboflavin, but not enough iron, zinc, vitamin E, niacin, vitamin B 6, folacin, magnesium, and pantothenic acid. Most strikingly the *Post* argued that the plan simply did not provide enough calories. Most of the shortages occurred because of the small amounts of meat provided in the plan. The lack of dark green vegetables and the use of enriched breads and cereals instead of whole grains were also sources of deficiencies.

While there was never was enough money in the Thrifty Food Plan to provide an adequate diet, neither did food stamp allotments keep up with inflation. Food price inflation was 11.5 percent in 1978 and 10.1 percent in 1979, but the value of the plan increased only 9.7 percent and 7.3 percent, respectively.¹¹⁶ The facts show that 43 percent of all food stamp households would receive fewer food stamp benefits due to the proposal to count free school meals as

¹¹⁵ *Washington Post*, 12 February 1981, sec. E, p. 1.

¹¹⁶ *Ibid*

income.¹¹⁷ This would only reduce the already inadequate supplement targeted for children at high nutritional risk.

The picture keeps getting darker; however, because the Administration next proposed the elimination of the indexing of standard deductions and the dependent care/excess shelter expense deductions and “freeze” them at their current amounts. The reasoning was that these particular deductions acted simply as a mechanism for indirectly subsidizing consumption of these items (heating one’s home and caring for dependents) through the Food Stamp Program. The government argued that food stamps should be targeted on food and not on non-food items.¹¹⁸

Here again there was no way for the poor to come out even. The Food Stamp Program benefits were calculated on the premise that most households could and should use some of their own income (about 30 percent) to help pay for their food needs. If a family’s income failed to rise with inflation, as was the case with most families on food stamps, while the family’s heating bills rose sharply, the family had less disposable income to spend on food. The current food stamp program recognized that and adjusted benefits accordingly. Under the new proposal, these adjustments would no longer be made. The excess shelter deduction was allowed for the amount by which shelter costs exceeded 50 percent of the household’s net income up to a maximum of \$114 a month. It was adjusted once a year to reflect changes in shelter and utility costs.

¹¹⁷ Congress, House of Representatives, Rev Donald Gall, National Council of Churches speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong, 1st sess. (17 March 1981) : 261.

¹¹⁸ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 611.

The Administration's proposal to end the adjustment despite the fact that utility companies were predicting sharp increases in home heating costs for 1982 was all the more ironic in view of the fact that one of the Administration's goals was also the acceleration of the deregulation of natural gas. In the District of Columbia, the gas company predicted an 80-percent rise for home heating costs for families who heated with natural gas in 1982. In fact, the \$115 maximum deduction on the entire shelter costs, which included heating, was already far below actual costs in most parts of the country. In 1980 a Department of Energy report estimated energy expenditures alone to average over \$800 a year for low income households.¹¹⁹ The very reason for the food stamp program was to provide poor families with the means to feed themselves. Clearly, if the cost of other necessities a family had to purchase rose substantially, the family would have less money available to spend on food. If the increase in the cost of other necessities was not factored into the food benefits, poor families would simply have to choose between buying food and paying their heating bills.

Most households with increased shelter costs and therefore decreased funds available for food purchases would not only receive no increase in food stamp benefits to reflect their reduced disposable income, this proposal would reduce their deductions and in some cases jeopardize their very eligibility. This situation would occur in households with low incomes all over the country. Twenty-five percent of the eligible households in the country in 1981 were at the maximum shelter deduction. Fifty percent of those in New England were. The shelter deduction was the only feature in the entire food stamp program which took regional variances

¹¹⁹ Congress, House of Representatives, Kenneth Peterson, AFof L/CIO speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) Hearings on Food Stamps, 336.

into account. Since 1939 Congress had repeatedly reaffirmed the value of assisting the poor to become self-sufficient. To prohibit the eligible working poor from deducting the cost of their excessive shelter, dependent care and work related expenses would in many cases lower the family income enough to force them to give up the wages from work and rely totally on welfare.¹²⁰ The proposal to cut the shelter deduction was issued alongside the Administration proposals to speed the deregulation of oil and natural gas and to fold low- income energy assistance into a block grant funded at 75 percent of last year's level.¹²¹ This proposal was predicted to save \$123 million from the food stamp budget in Fiscal Year 1982.

The administration's next proposal was to repeal the two increases in dependent care and medical expense under the 1980 amendments. These amendments created problems in administrative complexity, according to the Administration and moreover, an increased medical deduction, with expanded household coverage, could duplicate benefits available from programs like Medicare or Medicaid. The resultant savings were projected to be \$60 million.¹²²

The administration also wanted to "increase the precision of benefit calculation and improve the delivery of benefits." Toward that end they proposed that the retrospective accounting period and periodic reporting system enacted under the 1980 amendment which was elective for the states now should become mandatory. The rationale was that it created more accurate computation of benefits because actual household circumstances were used rather than projections which were used in prospective calculations. It would also simplify

¹²⁰Ibid, 338.

¹²¹ Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong, 1st sess. (17 March 1981) : 214.

¹²² Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 612.

certification procedures and reduce errors because only one accounting system would be used for both applicants and recipients. It would remove prospective accounting inequities which allowed immediate supplementation of benefits when a household lost income or gained a new member but, did not immediately reduce benefits when household circumstances improved. This proposal would cost money in the short run, but was projected to pay for itself by 1984.¹²³

The 1980 Food Stamp Amendments provided for a state option to use retrospective accounting and monthly reporting. The state option was provided because many states and local areas, especially rural areas with small caseloads, did not have the computer capabilities to manage this very complex and highly sophisticated system. Some such states were convinced that this system would not be cost effective and would be extremely difficult for them to manage. Interestingly, the Reagan Administration repeatedly stated that it wished to remove federal requirements imposed on states and provide more state flexibility. However, the proposal to remove a state option for retrospective accounting and monthly reporting and impose, over the objections of some of the states, federal regulations requiring that all states and counties implement this system is not consistent with the Administration's desires regarding federal-state relations.

Retrospective accounting and monthly reporting had been tested in several areas in the AFDC program. The system required households who were mailed a form at the end of each month to report on the income they received that month. This report then, determined the benefit level for that family for the subsequent month. For example, a form mailed to recipients at the end of March would be returned and processed during April. The household's

¹²³ Ibid, 612-13.

May benefits would then be based on this report.¹²⁴ The system used retrospective accounting in the sense that one month's benefits were based on income received two months earlier. The system used monthly reporting because each household had to file a report each month and those who failed return the form were dropped from the program. Running this system was not easy. Hundreds of thousands of forms would have to be mailed back promptly each month to maintain eligibility. All of those forms had also to be processed promptly to maintain benefits. This could only work if every county had highly expensive computers to do the work. The cost of this computerization would fall at least in part on the counties.

The major attraction of the system was thought to be its potential to reduce errors by rapidly reporting changes in income. The problem was that it added complexity and administrative costs and resulted in some needy households losing benefits because they had difficulty with the government forms. The AFDC experiments showed that of those who were cut off because they did not return the forms, 20 percent to 40 percent were people who were actually eligible but simply could not understand how to fill them out.¹²⁵

The major problem with this proposal from the recipient's point of view was that a significant delay in receiving benefits would occur while retrospective income records were accumulated and processed. In the meantime, a family who recently lost income would be forced to wait for aid. A second problem would be elderly or disabled persons who had no earnings would still be required to file a report each month. Their fixed incomes did not vary from month to month and the inability of the elderly or disabled to cope with the forms and

¹²⁴ Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 218.

¹²⁵ Ibid.

requirements for mailing would almost surely lead to a loss of benefits for some who continued to be eligible.

The problem created by this proposal for the providers of food stamps (state and county governments) was the significant increase in overhead both for computers and for the training and maintenance of the additional staff that would be needed to implement such a procedure. For example, implementing retrospective budgeting in New York would require a full two years to accomplish. Transition from the previous methodologies of prospective budgeting to retrospective budgeting, without adequate transition time, would do irreparable damage to statewide efforts to control fraud and abuse.¹²⁶

The coldest of all the proposals emanating from the Reagan Administration regarding food stamps concerned Puerto Rico. All of the food assistance programs to Puerto Rico were to be covered in a block grant. The Administration reasoned that programs designed for the continental United States were not necessarily compatible with local needs in other areas. Therefore, the rhetoric went, State authorities were in the best position to “formulate, establish, and administer” the programs in these areas so as to best respond to the needs of their own citizens. A block grant would provide the greatest latitude possible for local administration.¹²⁷ This proposal sounded reasonable and perhaps even sensitive to local needs until the bottom line appeared. It was to be funded at 75 percent of what would have been

¹²⁶ Congress, House of Representatives, Robert Fredericks, Assistant Commissioner in the Division of Income Maintenance, NYS Department of Social Services speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong, 1st sess, (17 March 1981) : 225.

¹²⁷ Congress, House of Representatives, Richard Lyng, Deputy Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Congress, 1st sess. (17 March 1981) : 617-8.

granted to Puerto Rico under the categorical programs that the fifty states would receive. That is, \$300 million was no longer going to the island.

In March of 1981 the USDA estimated that a total of 1, 775, 041 Puerto Ricans (who were American citizens) were receiving food stamps. More than 50 percent of the total population was eligible for those benefits and this represented 9.4 percent of all Americans participating in the program. Ninety-two percent of households in the program in Puerto Rico had a gross monthly income of less than \$600 per month. Seventy-seven percent had incomes of less than \$400 a month. Not one household in the program had a gross yearly income of \$12,000.¹²⁸ In addition, because 70 percent of the food that the islanders ate was imported from the mainland, food prices were 20 percent higher there. Puerto Ricans also received no Supplemental Security Income from the Federal government. Medicaid was capped at \$30 million, \$60 million less than if it were a state. Aid to Families with Dependent Children was capped at \$72 million per year. The average grant under AFDC on the mainland was \$224.12 each month. In Puerto Rico a family of four received \$47.31 a month.¹²⁹ In light of all this discrimination, how could Puerto Ricans reconcile their American citizenship with the manner in which they were treated by the Federal government?

Invoking the names of economic recovery and enhanced national defense, the Reagan Administration prepared to slice off a large chunk of the budget of the program designed to help America's poorest get enough to eat. The richest of the poor (a family of four earning \$11,001 regardless how high their housing and medical expenses were) they planned to

¹²⁸Congress, House of Representatives, Baltasar Corrada, Resident Commissioner from Puerto Rico to the United States speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 176.

¹²⁹ Ibid, 177.

eliminate altogether from the program. They planned to dock the kids who qualified for free school lunches 67 cents a day (one half of their daily allotment) no matter how many or how few school lunches they actually ate. They planned to require the nation's most poorly educated to fill out and return monthly forms on income and if they couldn't do it, they would be removed from eligibility. The American citizens living in Puerto Rico were expected to participate in all of these cuts and were to get an additional 25 percent reduction as well.

These proposals were, to say the least, controversial. So much so that the politically active literally ran to choose up sides. Because of its enormous size, the program came to symbolize two opposite views of the role Government should play in American society. To Senator Jesse Helms, Republican of North Carolina, food stamps represented "a welfare program that has run out of control." Representative Frederick W. Richmond, Democrat of Brooklyn, the chairman of the subcommittee on food stamps stated: "We would be taking an evil, backward step to ruin this program, and take food from the mouths of millions of hungry Americans."¹³⁰ In the past, liberals and conservatives had been generally able to settle their differences on farm issues. Those who favored food stamps supported subsidies for such commodities as cotton and wheat, while the advocates for farmers, in turn, voted for food stamps. However, because of the across the board cuts being proposed by the Reagan Administration, the usual accommodations were in jeopardy. The visibility of the Food Stamp Program added to the controversy. Because people used the coupons in supermarkets every day, the program generated a heated philosophical debate. To Senator Helms, for instance, the program symbolized the unbridled power of Washington over the states, and over individuals. At the

¹³⁰ Steven V. Roberts, "Supporters and Opponents Prepare to Battle on the Scope of the Program", *New York Times*, 14 February 1981, sec. 1, p. 9.

same time, Senator William Proxmire, was outraged that food stamp recipients used the extra cash to buy "cigarettes and booze."¹³¹

The forces opposing food stamps were by and large fiscal conservatives who placed higher priorities on economic recovery, and military preparedness than social issues. Many also argued that food stamps went to students, workers on strike and others who did not deserve them and who were in addition, members of the political left. Above all, conservatives argued that 22 million Americans could not possibly require aid, and that the growth of the program had to be the result of fraud and abuse.

Supporters of the program included public interest groups such as the Food Research and Action Center and several religious and civil rights organizations concerned about hunger. But many business groups also benefited from food stamps. Six percent of all retail food purchases were made with stamps. Farm groups were also supporters of food stamps. The biggest obstacle for the supporters was the wide-spread feeling that fraud and abuse were rampant within the program. The supporters maintained that most of the waste in the program had already been eliminated. The introduction of photo-identification cards had helped verification greatly. Most students and those on strike were no longer eligible. Representative Richmond argued that cutting back on food stamps would result in no savings. "For every dollar you don't spend on food stamps," he said, "you wind up tapping the U.S. Treasury for far more in wasted education, in health care, in infant mortality. It's easy to push poor people around, they don't count, they don't have lobbies, they don't vote. They don't even appear in the census."¹³²

¹³¹ Ibid.

¹³² Ibid.

In April the Administration decided to separate the food stamp proposals from the General Farm Bill. The likelihood was great that the farm bill would take until late in the year to be passed and the Administration had high hopes of major reductions in food stamps and they wanted to get the savings started as soon as possible. Therefore, they placed food stamps within the budget reconciliation process.

The Senate Agriculture Committee rejected a proposal by the Reagan Administration to reduce food stamp benefits for families with children eligible for free lunches at school on May 7. The Administration's proposal lost by a vote of 14 to 3. It would have deducted the cost of the federally subsidized school lunches from a family's food stamp benefits by about \$12 a month for each child. Senator Dole said, "With food stamp benefits averaging only 44 cents per person per meal, I cannot accept the argument that the school lunch program and the food stamp program provide duplicate benefits."¹³³ The committee did, however, agree to eliminate boarders from eligibility, and families living together were prohibited from filing as separate households, a device that usually increases total benefits.

On the same day, May 13, both the Senate and House Agriculture committees adopted legislation that would drastically slash the food stamp program. In both committees, the outcome was determined by a conservative coalition of Republicans and Southern Democrats. In accordance with President Reagan's budget recommendations, both houses called for reductions of about \$1.5 billion.¹³⁴ What each committee did was to place a cap on total expenditures on food stamps for the Fiscal Year 1982 in the range of \$10.5 billion. What the

¹³³Stephen V. Roberts, "Committee Rejects a Food Stamp Curb," *New York Times*, 8 May 1981, sec. A, p. 17.

¹³⁴*Ibid*, May 13, 1981, sec. A, p. 28.

committees did not do was to consider the effect of the expected cuts in other assistance programs. For example if Federal budget cuts forced members of a family to receive lower welfare payments or lose public service jobs, that family's income would drop. As a result, its food stamp benefits would rise. In some cases, families that were not previously eligible could join the program. Estimates prepared by the Department of Agriculture, but not released publicly, suggested new expenses might exceed \$1 billion. The Congressional Budget Office, calculating for inflation, unemployment and other impacts, estimated new costs of \$1.5 billion within eighteen months.¹³⁵

Irony abounded then when on September 23, in a letter to Congress; Agriculture Secretary John R. Block said that the food stamp program would cost at least \$12.1 billion in the fiscal year 1982, an increase of \$1.5 billion over earlier estimates by the Administration. However, the Secretary stressed, the White House was sticking by its proposal that Congress appropriate only \$10.6 billion.¹³⁶ New cuts were obviously necessary. They were to come in two phases: a six-month delay in updating food stamp benefits for inflation (at an estimated savings of \$700 million) and cutting benefits to all recipients by 12 to 15 percent.

Liberal Democrats vigorously opposed these further cuts in food stamps and on October 1 Congress reached a compromise. Democrats, led by Representative Frederick W. Richmond of Brooklyn, agreed to a new provision that would delay the annual increase of food stamp benefits for six months. This would save \$600 million to \$700 million, or a reduction in benefits

¹³⁵Ward Sinclair, "Panels Back Cuts of 1 Million From Food Stamp Roles," *Washington Post*, 13 May 1981, sec. A, p. 3.

¹³⁶Stephen V. Roberts, "Food Stamp Trims Sought by Reagan," *New York Times*, 23 September 1981, sec. A, p. 23.

of about \$138 for the average family. At the same time, the Administration agreed to increase the annual spending level to \$11.3 billion.¹³⁷

One month after agreeing to delay the annual increase of food stamp benefits for six months in order to save \$700 million, House-Senate conferees on a new farm bill decided to adjust food stamp benefits for inflation six months earlier than previously planned. The Agriculture Department said the step could save \$700 million in the fiscal year 1982 because the rate of inflation was expected to be lower at that time. So seemingly, Congress had saved \$700 million by moving the date forward and then saved \$700 million more by moving it back to its original date. In return for House acceptance of this change, the Senate's conferees agreed to raise the total amount available for food stamps to \$11.7 billion, from a \$10.87 billion limit imposed in a separate Senate measure on food stamps.¹³⁸

The reduction in the Food Stamp Program was not the high point of the Reagan Budget for 1981. One million people were cut from the roles of the program. They were primarily low income working families with high shelter or child care costs. Others were the elderly living on Social Security alone.¹³⁹ These eliminations made up less than a quarter of the savings. The remainder came from the poorest members of society. Since fewer than 10 percent of the households that retained eligibility after the Reagan reductions earned between 100 and 130

¹³⁷Steven V. Roberts, "Accord is Reached on New Food Stamp Cuts," *New York Times*, 2 October 1981, sec. A, p. 28.

¹³⁸King, Seth, "Food Stamp Bill Changed in Farm Bill Compromise," *New York Times*, November 20, 1981, sec. A, p. 25.

¹³⁹Congress, House of Representatives, Robert Greenstein, Director for the Field Foundation speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. (17 March 1981) : 207.

percent of the poverty line,¹⁴⁰ more than \$1 billion was taken directly from the tables of those living below the poverty line and universally acknowledged to be poverty stricken.

President Reagan said repeatedly during the budget process that everyone must share the burden. How should those who use food stamps do their share? Perhaps they should reduce their 40 cents per meal benefits. That seemed only fair in view of the fact that a cup of coffee in a paper cup cost 35 cents in New York City.¹⁴¹ In the final analysis can cutting money that buys food for the impoverished be weighed on the same scale that is used for armaments, dams, bridges, highways, and federal buildings? That, of course, was a philosophical question, but the practical reality was that food stamps cost money and did not buy oil. Another philosophical problem was raised by the peanut program, but central in the Administration's thinking there was how can we export more peanuts?

¹⁴⁰ Ibid, 208.

¹⁴¹ "The Last Place to Cut the Budget", *New York Times*, 1February 1981, sec. 4, p. 20.

8. Other Commodities (Peanuts, Sugar, Grain)

Ronald Reagan campaigned on the pledge that he would make sure the government would not smother private enterprise with undue regulation nor directly compete with America's farmers in the market place. The peanut allotment system was exactly the kind of federal program about which the president was talking. The system was begun in 1939 during the Great Depression. No one could grow more than one acre of peanuts for sale under the price support system without a federally issued allotment. Approximately 94 percent of the peanut allotment acreage in 1981 was held in only six states: Virginia, North Carolina, Georgia, Alabama, Texas, and Oklahoma. Those who obtained the allotments originally paid nothing for them. This was not a franchise sold by the government that should retain value because of the investment needed to obtain it. It was free. Further, anyone who inherited land with a peanut allotment and didn't want to raise peanuts on that land could rent the allotment to someone else. The allotment did not just go with the land. The renter could grow peanuts on any other land within the same county. Approximately 70 percent of the peanuts produced in 1980 were produced on leased allotments.¹⁴²

No other edible agricultural commodity had a federally granted allotment and production-control program similar to peanuts. Additionally, the federal government imposed a virtual peanut import embargo. Peanut allotments were a government bestowed privilege granted to

¹⁴²Congress, House of Representatives, James E. Mack, Peanut Growers Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Tobacco and Peanuts, 97th Cong. 1st sess. (26 February 1981) : 93.

the few. Those few received a real financial windfall. Others who wished to grow peanuts were forced to rent the allotments of the few. The result of the peanut program was that domestic consumers of peanuts had to pay unnecessarily high prices, while the taxpayers paid the allotment holder's windfall.¹⁴³

By 1980 the peanut support system had cost the federal government \$1,141,480,000 despite the fact that peanuts accounted for less than 1 percent of national farm income. By 1977 it was apparent that costs were going to become unmanageable if something was not done. The cost of the program in 1977 alone was in excess of \$100 million. In that year Congress enacted legislation to restrict the authorized acreage and to impose production quotas. The theory of the change was to save the government money. The reality was a shortage of peanuts.¹⁴⁴

The 1977 bill set the number of acres that could be planted in peanuts each year (the allotment). For 1981 the allotment was 1,610,000 acres. From this acreage the government agreed to guarantee the price of 1,410,000 tons of peanuts (the quota). The price that the Administration agreed to support was \$455 per ton. Any farmer who grew peanuts on allotted acreage could sell his peanuts for any price he could get. If the offered price were below \$455 per ton, he could elect to sell his crop instead to the Commodity Credit Corporation for the agreed support price. The government purchased peanuts would be crushed and converted into peanut oil that would be stored or sold. The peanuts grown on the allotted land in excess of the quota (approximately 35 percent of the total crop) could only be sold to shellers for

¹⁴³ Congress, House of Representatives, James C. Kalbach, President Peanut Butter and Nut Processors Association speaking to the Committee on Agriculture, General Farm bill of 1981, Subcommittee on Tobacco and Peanuts, 97th Cong. 1st sess. (26 February 1981) : 100-01.

¹⁴⁴ Ibid

export or crushing. If neither of these markets were available, the farmer could borrow from the government at a rate of \$250 per ton. The production of the additional peanuts provided a way to insure a regular supply of U.S. peanuts to the export market. Such a supply was essential in continuing to expand export markets. The additional production also insured a backup supply for any shortage of domestic peanuts. The loan rate for additional peanuts approximated world market prices. The cost exposure of the CCC was reduced from 700,000 tons under the program prior to 1977 to an estimated 105,000 tons under the new program.¹⁴⁵

The Reagan Administration was anxious to change the policy on peanuts. Most of all they wanted to see the United States become more competitive in the production and export of peanuts. American exports increased from 434 million pounds in 1975-76 to 1.1 billion pounds in 1979-80. The U. S. share of annual world peanut exports increased from about 13 percent in 1976 to nearly 51 percent in 1978-79.¹⁴⁶ In an attempt to continue the upward trend in exports the Administration proposed the elimination of acreage allotments and the reduction of poundage quotas by 10 percent annually over the next four years. By reducing marketing quotas gradually rather than immediately eliminating them, they hoped to partially protect the allotment holders against an abrupt adjustment in their asset base. In order to develop markets which otherwise might not be available to the United States because of a lack of purchasing power by prospective buyers, the administration increased the loan guarantee level

¹⁴⁵ Congress, House of Representatives, Emmett Reynolds, President of the Steering Committee of the National Peanut Growers Group speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Tobacco and Peanuts, 97th Congress, 1st sess. (26 February 1981) : 110-12.

¹⁴⁶ Congress, House of Representatives, Richard E. Lyng, Assistant Secretary of Agriculture speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Tobacco and Peanuts, 97th Cong. 1st sess. (26 February 1981) : 8-9.

for the Commodity Credit Corporation's export credit program by \$300 million for the remainder of 1981.¹⁴⁷

The peanut farmer's perspective was obviously much different than that of the administration. The farmers argued that rather than a price support, the quota created what was in reality a price ceiling. No shellers would buy for more than the quota price. Since peanuts could not be stored effectively through the summer unless they were stored in expensive cold storage units, the farmers had to sell at the quota price. The shellers, on the other hand, at least according to the farmers were getting \$1400 a ton.¹⁴⁸ Because the production of peanuts was a highly sophisticated and expensive operation, inflation had raised the cost of production to about \$600 per acre in 1981. With a national average yield of 2,378 pounds per acre, the peanut farmers predicted that with the changes the administration wanted peanuts would be sold below the cost of production in 1981.¹⁴⁹

The Administration position was a reasonable one. The allotment system was instituted at a time of wide economic distress in agriculture. Those conditions, cured by World War II, were no longer present. The very idea of the government denying free trade in any part of the economy was inimical to Ronald Reagan. However, politics is a strange game. The President was determined to cut taxes and to build up the nation's military defenses. In the Congressional bartering that took place on those two issues, the Administration agreed to drop

¹⁴⁷ Congress, House of Representatives, John R. Block, Secretary of Agriculture speaking to the Committee on Agriculture, 97th Cong. 1st sess. (31 March 1981) : 400-01.

¹⁴⁸ Congress, House of Representatives, Gene Miller, peanut farmer speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Tobacco and Peanuts, (26 February 1981) : 81.

¹⁴⁹ Congress, House of Representatives, Marvin Meek, peanut farmer speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Tobacco and Peanuts, 97th Cong. 1st sess. (26 February 1981) : 64.

their demands for the abolishment of the peanut allotment in return for the support of the Congressmen and Senators from the peanut growing states on taxes and defense.¹⁵⁰

But 1981 was not a normal year on Capitol Hill. As part of the budget reduction campaign the President had made it clear that he would veto any farm bill that carried a price tag of above \$10.5 billion. That changed the entire working environment in Congress. Always before, the farm states would band together to help each other increase the size of the entire farm budget. In this relationship the dairy state people would back tobacco or wheat or sugar bills and expect support from those states in return. This year, on the other hand, the size of the pie was already determined. The normal cooperative efforts were forgotten as each special interest vied with the other special interests for as much of the pie as possible.

Despite the withdrawal of the Administration from the fight over allotments, the peanut states had to accept a compromise that eliminated the allotment system. It did, however, retain quotas and got a more generous support of \$595 per ton. Veteran observers of Congress said that it was the first time in over ten years that senators from farm states had fought each other over the protection of commodities that their states produced.¹⁵¹ Several dairy and wheat states whose oxen had already been gored in the battle for increased subsidies abandoned solidarity and voted for the abolishment of the allotment system.

The Reagan Administration got what it wanted on peanut allotments in spite of itself. However, it came at the price of continuing the quota system and raising the price support. Ronald Reagan, however, from his days as President of the Screen Actors Guild had learned to

¹⁵⁰ Ward Sinclair, Peter Behr, and Richard L. Lyons, "White House Horse Trading Helps Cinch Vote," *Washington Post*, 27 June 1981, sec. A, p. 1

¹⁵¹ Seth King, "Peanut Measure Splits Farm Vote," *New York Times*, 17 September 1981, sec. B, p. 6.

take what you could get in negotiations and try for the rest next time. However, unlike peanuts, sugar had no export potential and so the Administration wanted to ignore it completely.

The Reagan Administration proposal for the sugar industry was a simple one. Since there was no price support program for sugar in the United States, the Administration proposed to keep it that way. The economic picture for the sugar industry, of course, was not so simple. The United States consumed approximately 10 million tons of sugar annually. Approximately 2.7 million tons of that consumption was produced from sugar cane produced domestically in Louisiana, Florida, Texas and Florida. Another 3.0 million tons of beet sugar was produced largely in California and the upper Midwest. The remaining 4.5 million tons were imported from the world market. The United States used 25 percent of the world's exported sugar. Sugar marketed from U.S. grown sugarcane and sugar beets had an estimated value in 1980 of more than \$3 billion. Because sugar cane and sugar beets were relatively perishable, they had to be processed shortly after harvest. Consequently, a large investment in sugar cane mills and beet refineries was an integral part of the industry. Cane and beets ranked sixth in value among field crops after corn, soybeans, hay, wheat and cotton.¹⁵²

The Sugar Act, which was defeated in the House of Representatives in 1974, had been in existence for approximately forty years. With the defeat of that Act the United States no longer had an established sugar policy. During the period the Act was in operation, the prices received by sugarcane and sugar beet farmers were relatively stable. Consumer prices were stable as

¹⁵² Congress, House of Representatives, Robert Hughes, President, Hawaiian Sugar Growers Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong. 1st sess. (17 March 1981) : 44.

well. Since 1975, the industry had undergone a period of widely fluctuating prices. During this period, production in the domestic sugar beet industry had decreased by nearly 1 million tons of sugar. This situation occurred principally because of depressed prices. The result was forced factory closings and growers turning to other crops, in most instances to crops already in surplus.¹⁵³ The substantially increased sugar price in 1980 resulted from a sharp reduction in the sugar producing countries of Cuba, the Soviet Union, Poland, and India. .¹⁵⁴

The sugar industry argued that the United States was the only sugar producing nation without a national policy for sugar. As an importer of sugar it was dependent upon, a heavily controlled world market. Eighty percent of the 90 million tons of sugar produced world wide was consumed in the countries where it was produced. About 5 percent of production was traded under long-term agreements between nations most of whom were in the Soviet bloc. Only about 15 percent of the world's sugar was traded on the open market.¹⁵⁵ The small percentage of sugar that was traded in world commerce put extreme leverage on prices. In years of production shortfall, prices skyrocketed, and when there was excess production, prices plummeted. In periods of excess production, because of the need for hard currency in the producing countries, sugar was sold on the World Market below the cost of production of even the lowest cost producing areas. This is what happened in 1976-79. Industry backers

¹⁵³ Congress, House of Representatives, John Heussner, President of American Sugar Beet Growers Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice and Sugar, 97th Cong. 1st sess. (17 March 1981) : 86-7.

¹⁵⁴ Congress, House of Representatives, Robert Hughes, President, Hawaiian Sugar Growers Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong. 1st sess. (17 March 1981) : 44.

¹⁵⁵ Congress, House of Representatives, David R. Bowen, Member from Mississippi speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong. 1st sess. (17 March 1981) : 35.

maintained that the open market was simply a dumping ground for exporting countries for their production in excess of their long term contractual commitments.¹⁵⁶

It was true that U.S. sugar producers competed with foreign producers who had unfair advantages. Sugar beet growers in California, of example had to pay the minimum wage set forth by the Industrial Welfare Department and that included overtime wages. They also had to comply with other stringent regulations which related to working conditions, hours, days of work, housing and other employee protections. Growers and processors also had to meet certain environmental standards. Worker safety precautions were mandatory in California as well. All of these regulations added cost without increasing price.

The major concern to domestic sugar producers, however, was the fact that many foreign governments subsidized and determined the size of their sugar industries without regard to normal economic factors. Our own Government even subsidized competitors through low-cost loans from the Export-Import Bank of the United States and through the World Bank.¹⁵⁷ The Administration maintained that there were already sufficient programs to regulate sugar. They cited the International Sugar Agreement, the Trade Act of 1974 and the Tariff Act. The sugar farmers, however, complained that the International Sugar Agreement had not worked since its inception. For the first two years of the agreement, world sugar prices were well below the lower end of the price range objective, which was 11 cents a pound. Then late in 1979 prices

¹⁵⁶Congress, House of Representatives, Danny Akaka, Member from Hawaii speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong, 1st sess. (17 March 1981) : 40.

¹⁵⁷ Congress, House of Representatives, Ramon Billeaud, President, American Sugar Cane League speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong, 1st sess. (17 March 1981) : 45.

headed up, and by the spring of 1980 prices exceeded the top of the range and remained above the 23-cent maximum.¹⁵⁸

The Trade Act of 1974 provided for protection of U.S. industries in the instance of predatory dumping. It also protected workers when those industries were affected by unfair foreign competition. Action had been taken under the Trade Act but after the four years it took for the hearings and investigations to be completed and the options triggered, thirteen factories and some of the processing companies had already gone out of business.

The tariff of 1934 carried a maximum import tariff of 2.8 cents, and undoubtedly in the 1930's that seemed to be a sufficient amount, based on the cost of production then, but inflation had completely changed the calculations. Some foreign sellers of sugar desperately needed U.S. dollars to buy oil (because oil was traded in U.S. dollars). So in 1980 when the price of sugar was low they were willing to market their sugar at prices below their cost of production and the 2.8-cent tariff was insufficient to protect the domestic industry.¹⁵⁹

The sugar industry pushed for a nonrecourse loan program similar to those for other agricultural commodities. They asked that the loan level be consistent with that of other subsidized crops. They wanted the loan rate to be adjusted annually to reflect the impact of increased costs of production. The industry argued that they were only asking for a simple loan program which would serve as a safety net during periods of depressed prices. Further, they promised that this program would have little or no cost for taxpayers and a minimum of Government involvement in the marketplace. By providing some protection to sugar producers

¹⁵⁸ Congress, House of Representatives, David C Carter, President, American Beet Sugar Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice and Sugar, 97th Cong. 1st sess. (17 March 1981) : 93-4.

¹⁵⁹ Ibid, 165.

they maintained that such a program would assure consumers a stable, reliable domestic supply of sugar and producers would not be forced out of production by severely depressed prices such as those experienced in recent years.¹⁶⁰

In reality, the program the industry proposed would not operate like those for grains, cotton, and other commodities. For example, loans would not be made to farmers raising beets or sugarcane since they were non-storable commodities and were processed immediately upon harvesting. The loan program would make loans to processors of sugar beets and sugarcane, who in turn would pay a predetermined amount for the sugar beets and sugarcane to the growers. The sugarcane and sugar beet industries were different. The sugarcane processors were also growers of sugar cane. In the case of sugar beets the processor was not normally a grower. An agreement between beet growers and processors was made before planting for a specific acreage to be planted and for the processor to process those beets. The proceeds for the sale of the sugar were then divided on a specific basis between the grower and the processor. The producers hoped that the program would establish a mechanism for withholding excess sugar during good years and then making the excess available during years of poor production. This would stabilize prices and prevent the need for farmers to switch from sugar to more profitable crops and reinforce the fluctuations in supply and price.¹⁶¹

The main question, of course, was what would be the budget impact of such a program. The Administration was trying to reduce the budget and reduce Federal involvement in the

¹⁶⁰ Congress, House of Representatives, Ramon Billeaud, President, American Sugar Cane League speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Cong. 1st sess. (17 March 1981) : 45.

¹⁶¹ Congress, House of Representatives, Horace D. Godfrey, Vice President, Florida Sugar Cane League speaking to the Committee on Agriculture, General Farm Bill 1981, Subcommittee on Cotton, Rice, and Sugar, 97th Congress, 1st sess. (17 March 1981) : 141-43

marketplace. Industry argued that if properly administered a sugar support program would have no impact on the budget. As a matter of fact, they claimed that the sugar support program conducted by the Carter administration for 1977, 1978, and 1979 actually registered a profit. Further, the fact that sugar was imported provided the government enough leverage to avoid deficits. In their view, the Administration would have numerous options open to prevent U.S.-produced sugar from burdening the Treasury. Fees, tariffs, or even quotas could be placed on imports until any sugar under loan was redeemed.¹⁶²

Opponents, however, pointed out that Caribbean producers were happy to deliver sugar to the American market at about 18 cents a pound. At that price, however, only the most efficient producers of cane and beet sugar in the United States could make a profit. Rather than switch crops or simply hang on until the next boom, the domestic industry demanded help. They claimed that the loan price of 19.6 cents a pound was not all that the program would cost. To induce domestic producers to sell their output (rather than leaving it in Government warehouses), the deal had to cover interest and shipping. Thus, if the Government were to get its loan money back, tariffs on imported sugar had to be set to insure that domestic American prices would stay above 24 cents a pound. Every penny increase in price would raise the consumers' annual bill for sugar and competing corn sweeteners by about \$300 million; a 6 cent increase from 18 cents to 24 cents would add up to \$1.8 billion. Subtract the Government's windfall from the higher tariff and the net cost of the sugar would be \$1.4 billion. Why, they argued, should the government support a business with no real strategic value? Sugar

¹⁶² Congress, House of Representatives, David C Carter, President, American Beet Sugar Association speaking to the Committee on Agriculture, General Farm Bill of 1981, Subcommittee on Cotton, Rice and Sugar, 97th Cong. 1st sess. (17 March 1981) : 93-4, 160.

represented just 1 percent of the acreage and revenues of the farm sector. And few sugar farmers were poor. In fact, most sugar was produced by multimillion-dollar corporations.¹⁶³

The Administration's position on sugar, as commendable as it was, was not high on its priority list. When crunch time came during the voting for tax cuts and increased defense spending, the sugar position was for sale and it was claimed by Congressmen and Senators from sugar states in return for voting for Administration positions on the higher priority measures. "I went with the best deal," said Rep. John B. Breaux, a Democrat from Louisiana, one of 29 Democrats who joined the Republican side. Somebody wondered if that meant Breaux' vote could be "sold." No, Breaux responded, "It can be rented."¹⁶⁴ The "deal" as Breaux and four other Louisiana Democrats understood it was a commitment from the White House to accept a potentially costly price support program on sugar. Louisiana was a major sugar cane producing state. Budget Director David Stockman was quoted as saying that the sugar issue was one of the items "brought to our attention. We listened and took it into consideration."¹⁶⁵

With the Administration on the sidelines the sugar lobby prevailed upon some of its supporters in both the House and the Senate to reintroduce a sugar support program. The initial proposal called for a minimum price support level of 44 percent of parity or 19.6 cents a pound. That level was about 2.5 cents above the world price.¹⁶⁶ In the price support loan program recommended, a sugar producer would be able to borrow from the Government on his 1982 crop at the equivalent of 19.6 cents a pound. If the market rose above that level when

¹⁶³ "Uncle Sugar Pays Off", *New York Times*, 2 July 1981, sec. A, p. 18.

¹⁶⁴ Ward Sinclair, Peter Behr, and Richard L. Lyons, "White House Horse Trading Helps Cinch Vote," *Washington Post*, 27 June 1981, sec. A, p. 1.

¹⁶⁵ *Ibid.*

¹⁶⁶ Seth King, "Senate Farm Unit Backs A New Sugar Loan Program," *New York Times*, 2 May 1981, sec. 2, p. 29.

his loan came due, he could sell his sugar in the open market and repay the loan. If it did not, the sugar producer could turn his crop over to the Commodity Credit Corporation, which would have to store it until the price rose above the loan level. In this form of support, the additional cost of raw sugar caused by the protective duties and fees contained in the program would be passed on to the soft drink and candy manufacturers, the biggest users of sugar, and to consumers who bought packaged sugar in the supermarkets. The treasury, in turn, would collect the duties and fees as income.¹⁶⁷

When the sugar support system was included in the Farm Bill of 1981, the culpability of the Administration remained despite its initial opposition. It sold out the American consumer and the poor sugar producing countries of the Caribbean in exchange for votes on taxes and defense.

The program was a disaster from the beginning. By artificially keeping the price of sugar in the United States at about 18.5 cents a pound, while the world price for sugar drifted to as low as 7 cents a pound, the sugar program added immensely to the cost of refined sugar, soft drinks, and candy. Based on per capita consumption, each 1-cent-a-pound increase in the price of sugar added at least \$300 million to the national sweetener bill. A 13-cent difference between world prices and American prices meant the sugar program would raise the American sweetener cost by almost \$4 billion annually.¹⁶⁸

The folly of the program lay in the fact that the main beneficiary of the sugar price support system was the fructose producers. Because of their ability to undersell sugar, the fructose producers gained an even greater share of the sweetener market than they had before the

¹⁶⁷ Ibid.

¹⁶⁸ Dan Quayle, "Sugar Policy: A Bitter Pill to Swallow," *New York Times*, 28 July 1982, sec A, p. 23

program.¹⁶⁹ Sugar consumption had been dropping, while the use of fructose increased. United States per capita consumption of sugar from cane or beet, sources of sucrose that are indistinguishable, fell to 79 pounds in 1981 from 102 pounds in 1970. During the same time, the consumption of corn sweeteners rose to the equivalent of forty-three pounds per capita from nineteen. Most of the increase was accounted for by fructose and the rest dextrose, which is also made from corn. During the statistical sugar crop year that ended Sept. 30, 1981, the United States produced 2.7 million metric tons of beet sugar, 2.6 million from cane, and imported 4 million tons. The total sucrose supply, 9.3 million tons, exceeded domestic use of 8.7 million on Oct. 1. The fructose producers made the equivalent of 3 million tons of sugar and were able to capture the soft drink market because liquid fructose is very convenient for that market and because they always kept their prices below that of sugar. As a result of the sugar program, fructose could raise their prices and still under-sell sugar.¹⁷⁰

In a rational world, the United States would buy its sugar from Brazil, the Philippines and the Caribbean islands. Those countries could supply all of America's needs at a much lower cost. But, America still had sugar growers, and they could not operate in an open world market. If world prices remained at 10 cents a pound or more, the government could maintain the artificial level in the United States by imposing duties and fees on imported sugar. When world prices drop below 10 cents a pound, however, even these duties and fees wouldn't make up the difference. Below 10 cents the government would be forced to buy the domestically grown sugar or find a way to keep out the foreign sugar. Given the President's penchant for

¹⁶⁹ H. J. Maidenberg, "Commodities; Sugar's Pyrrhic Victory," *New York Times*, 21 December 1981, sec. D, p. 8

¹⁷⁰ Ibid.

reducing government expenditures and keeping it out of the free market, the only alternative would be import quotas. That is, in fact what happened in 1982. While the Administration was trying to knock down trade barriers to U. S. goods in Japan and the European Economic Community, it was raising trade barriers to foreign sugar. Ironically it would be agricultural exports that would be most affected by a return to a more protectionist stance by the United States. The other casualties were struggling countries such as the Dominican Republic. There, for example, about 10 percent of the population was employed in the sugar industry and its subsidiaries, and 95 percent of its sugar was sold to the United States. This accounted for over a third of the Dominican's export earnings. Under a quota system the country stood to lose more than \$136 million in 1982. Other countries severely affected were Guatemala, Panama, Barbados, Colombia, Brazil, Thailand and the Philippines.¹⁷¹

In the final analysis, this program was bad policy for consumers, bad for the Administration's efforts to expand free trade, and went against the Administration's policy to reduce Governmental intrusion into the economy and minimize economic expenditures on agricultural commodities that were not exported at a profit. They had it right the first time. But U.S. agricultural policy under the Reagan administration was not a front burner item and they felt that a relatively small sugar program was a small price to pay for Congressional support on their tax cut proposal. Corn and wheat were much bigger crops than sugar and had many powerful backers in Congress.

No substantive changes were proposed in the grain policy in 1981. The administration made a half-hearted proposal to eliminate the target price for wheat, but made no real effort to

¹⁷¹ Quayle, "Sugar Policy," sec A, p. 23.

generate support for the proposal and it was simply ignored by Congress in its deliberations. That inaction proved to be extremely costly. The initial grain program was begun in 1933. A large part of that program emphasized reducing production. In order to get price supports each farmer had to agree not to plant grain on a percentage of his land prescribed by the government. In return, the USDA set a loan rate for the crop. The participating farmer could at harvest store his crop in a government approved storage facility and borrow from the CCC an amount equal to the loan rate for his crop. If subsequently he could sell his crop at a price higher than the loan rate he could do so and pay back 105 percent of his loan. If he could not sell it at a higher price, he could simply forfeit the crop and keep the loan (hence a non-recourse loan). In addition, each year Congress set a target price for the crop. If the target price were higher than the sale price of the participating farmer's crop, the government would pay the farmer the difference between the national average sale price and the target price. This was called a deficiency payment. The farmer received this payment whether or not he made use of the nonrecourse loan.

Because Congress set high target prices in 1981 anticipating continued high inflation, when the new monetary policy began to be effective, the cost of the program soared. Inflation went down and the dollar rose in value. American grain became unattractive abroad and exports fell. The fall in the rate of inflation coupled with ongoing high interest rates created a sharp increase in the cost of money to farmers, many of whom borrowed money both in the long term to buy land and machinery and in the short term to put in their crops. Coupled with more expensive money, record crops in 1982 sent storage costs higher and higher. Loan failures among farmers became frequent and calls for more government support increased. The government was

anxious to hold down costs, while many grain farmers were desperate for more aid. Congress had not believed that the restrictive monetary policy would work this quickly. Their lack of faith led to grain policies predicated on continuing high inflation. The result was huge cost overruns and many farmer bankruptcies. The grain policy was obviously a failure. What sort of an overall grade card would we give to all of these programs and policies making up the Farm Bill of 1981?

9. Conclusion.

Ronald Reagan was a true visionary. He understood that a fundamental change in foreign policy was mandatory. The Soviet economy was corrupt and inefficient. It could not afford both guns and butter. The Carter policy of détente was playing right into the hands of the Soviets. It lessened the stress on their economy. Reagan wanted to stress it much more. He did so through confrontation. He turned up the heat both diplomatically and in the arms race. This change markedly accelerated the break up of the Soviet Union. Reagan also knew he had to make a fundamental change in the domestic economy. The policy he inherited from the Johnson, Nixon, and Carter administrations had resulted in a “stagflation” that was seriously undermining America’s standard of living. He changed from traditional Keynesian theory to a supply side emphasis that brought inflation to a screeching halt and after paying the price of an early recession, markedly improved the economic outlook. Unfortunately, Reagan’s vision did not extend to agricultural policy. A fundamental change there could also have vastly improved the economics of agriculture.

During his first year in office Ronald Reagan and his administration were primarily focused on the problem posed by the domestic economy. His view of agriculture was very straight forward. He wanted cheap food. Americans already spent a lower percentage of their disposable income on food than most of the rest of the world.¹⁷² Therefore, the

¹⁷² Congress, House of Representatives, John R. Bloc, Secretary of Agriculture, speaking to the Committee on Agriculture, General Farm bill of 1981, Hearing before the Committee on Agriculture, 97th Cong. 1st sess. (31 March 1981) : 434.

administration's proposals were aimed at maximizing agricultural exports in order to offset the cost of imported oil. Only those commodities that were exported were to be supported. Those policies not involved with exports were to be funded at the lowest level politically feasible. Given the state of the economy in 1981, this seemed like a logical approach. In fact though, the administration's monetary policy and its agriculture policy worked against their stated goal of increased income from exports. These policies actually made exports more expensive and less attractive on the world market.

Reagan embraced the restrictive monetary policy instituted by Federal Reserve Board Chairman Paul Volcker during the last year of the Carter administration. By restricting the money supply, inflation could gradually be brought under control. However, the price of that policy was a major economic recession featuring a substantial rise in unemployment and a fall in the standard of living. This decision, while correct in the long run, was politically dangerous to a newly elected president with his eyes on a second term. Reagan has received little of the credit that he deserves for his political courage in sticking to this program. He knew the initial economic upheaval this policy would cause. What he did not know was the degree to which the recession would impact agriculture. Tight money increased the value of the dollar in exchange for foreign currency. The cost of agricultural commodities went up and was much less attractive to potential foreign buyers. Tight money also caused higher real interest rates for farmers. This combination of higher interest costs and lower export prices led to financial stress on farmers. They in turn called for more government subsidies. Exports dropped even more. With fewer exports the government had to buy more surplus crops. These higher costs

led the administration to propose more land idling as a mechanism for lowering government spending. But land idling led to fewer crops for export and around the circle everyone went.

The Reagan administration did send some substantive proposals for change to Congress concerning agriculture. They suggested the elimination of the target price on wheat; a reduction of \$2.8 million in new loans by the Farmers Home Administration; a 25 percent reduction in credit programs in the Rural Electrification Administration, and the elimination of the Federal Financing Bank as a source for the loans for this program. However, everyone, including the administration, realized that these proposals were simply propaganda: words tossed into the breeze. The administration mobilized no friendly Congressmen or Senators to fight for any of these changes. In a word, these proposals were simply fluff. Some of the proposals such as the ones to lower eligibility for child nutrition subsidies; to reduce access to the Food Stamp Program; and to cut \$325 million from the Women, Infants, and Children Program were simply wrong headed. Some proposals such as those to eliminate the peanut allocation system and not to reinstate subsidies for sugar, while excellent in design, were actually used as bargaining chips available to Congressmen and Senators in exchange for favorable votes on other issues more important to the administration.

There are substantial questions about the wisdom and even the ethics of such maneuvers. One wonders at the wisdom of attempting to expand exports while idling more farm land. By taking land out of production the farmers made up for the lost production by farming the remaining land more intensely. This does not even mention the effects of full production on the soil and water of the affected land itself. Erosion of the land from the deep plowing of the huge modern tractors and contamination of streams lakes and aquifers by the

runoff of the intensive fertilization and chemical pest control agents raised questions about the continued viability of the nation's environment in the future.

The Administration was very active in trying to expand food exports to Africa and South America and with some success. These were business dealings. However, with widespread hunger within the third world, the U.S. policy of promoting farm sales abroad actually may have been discouraging developing nations from building their own agricultural base. Secretary Block, speaking for the administration, maintained that food-poor nations needed to take more responsibility in developing their own agricultural systems. In his view, it was up to them to make the tough decisions necessary to meet the goal of greater food self-reliance. He agreed that the United States alone could not begin to meet the world's demands for food. Other nations were going to have to increase their production capacity. The bottom line was prices. When prices rose people would figure out how to raise their own food.¹⁷³ However, the real problem with the policy for agriculture was not with ethics, it was with economics.

The focus of the administration was to improve the economy and reduce the size of the government. Both of those goals could have been more easily obtainable had they realized that the commodity price support system in American agriculture was an anachronism. Not only was it no longer necessary but it was actually counterproductive and a huge money drain on the taxpayers and consumers of America. The programs were initiated during the 1930s when 25 percent of Americans worked on farms and the vast majority earned incomes substantially below those of their urban counterparts. There was an unprecedented depression underway and government intervention in the marketplace was mandatory. The agriculture

¹⁷³ Ward Sinclair, "Food Exports: Worries in the Land of Plenty," *Washington Post*, 17 August 1981, sec. A, p. 1.

programs were designed to be temporary measures to counteract the privation of those times. Those times, however, were long gone by 1981. The Depression was cured by the war time economy accompanying World War II.

Between 1949 and 1981 farming in America underwent a profound change. The total number of farms went down dramatically. In fact, in 1981 300,000 farms produced 75 percent of the total farm output.¹⁷⁴ By using modern technologies farmers were able to reduce production costs substantially while output soared. As a consequence of increased production, prices fell to below government support levels. Because of low-cost mechanical, chemical, and biological agents that were brought into the production process, millions of marginal farmers and most farm workers left the land. This brought about a transformation from labor-intensive to technology-and capital-intensive agriculture unimaginable at the turn of the century or even in the 1930s. Rather than 25 percent of Americans working on farms the number fell to 2.5 percent. The majority of those who remained on farms were no longer poor. The wages, incomes, and wealth of farmers went up, despite declining farm commodity prices. Government price supports raised the value of farm land but had little effect on net farm incomes. A growing dependence on international markets turned the New Deal-era practice of controlling supply to boost crop prices into a liability that impaired U.S. agriculture's global competitiveness.¹⁷⁵ This transformation in farming made the experiments of the 1930s obsolete. Those programs did not have much long-term effect on the earnings of most farmers, but continuation of the programs was costly to taxpayers and consumers. The benefits of those

¹⁷⁴ Cochrane and Runge, *Reforming Farm Policy*, 27.

¹⁷⁵ David Orden, Robert Paarlberg and Terry Roe, *Policy Reform in American Agriculture: Analysis and Prognosis*, (Chicago and London: The University of Chicago Press, 1999) p.2

high costs went into the land value owned by a small number of increasingly wealthy farm owners.¹⁷⁶

Farmers in 1981 were far wealthier and far less in need of government assistance than the largely bankrupt group targeted by the original AAA. In 1933, the average income of U.S. farmers was only about one-half the national average. After fifty years of adjustment, this income gap had been eliminated, and in many years farmers earned more, on average, than nonfarmers. From 1955 to 1995 \$340 billion was transferred from taxpayers directly to farmers by the federal government.¹⁷⁷ This money went essentially into the increased price of farm land and farm buildings.

While the basic program design in agriculture had not changed since the 1930s, the farming economy had changed significantly. The greater specialization of individual farms made the price support systems obsolete. In the 1930s a significant share of all U. S. farmers could be helped by farm support programs on a few basic crops. By 1981 the production of livestock, fruits, vegetables, and specialty crops accounted for more than half of total farm sales and were not covered by government programs.¹⁷⁸ Farm programs had also lost their original justification of being essential to the economic health of rural America. The diversification of the U. S. economy reduced the dependence of rural areas on farming. In 1981 only about 10 percent of all rural counties in the United States were classified as “farm dependent” (deriving at least 20 percent of income from farming) and no state was called dependent. In those few

¹⁷⁶ Ibid, 12-13.

¹⁷⁷ Ibid, 36.

¹⁷⁸ Ibid, 38.

counties that were farm dependent, average levels of income and wealth per capita were higher than nonfarm counties.¹⁷⁹ In the words of agricultural economist Robert Paarlberg,

The set of guarantees that farming originally received from the rest of society during the Great Depression is no longer necessary or appropriate, either to the enhanced prosperity of farmers, or to the altered role and structure of farming within our society.

Yet these guarantees have mostly remained in place. The contract has never really been re-written: farming has remained a politically privileged economic activity.¹⁸⁰

Even more important for a Reagan administration so anxious to buy oil with the proceeds of agricultural exports, the production controls imbedded in the farm programs made no sense at all.

During the Great Depression, U.S. farm exports were so reduced by trade barriers and markedly reduced foreign demand that the fear of losing foreign markets was no impediment to the implementation of supply-control programs. By 1936 The United States was actually a substantial net importer of wheat because of drought and poor harvests. Even by the 1950s when the supply controls were expanded, European farming had not yet modernized and was still affected by the devastation of World War II. They posed no real competition on the export market. Commercial export markets were not an important consideration for domestic policy makers. By the late 1960s the world market became much more important. The European Economic Community (EEC) went from being a net importer of grain to a net exporter. At that time also, new markets emerged in Asia, the Middle East, and the Soviet Union, and profitable export markets became, for the first time since World War I, a large part of total U.S. farm

¹⁷⁹ Ibid, 39.

¹⁸⁰ Paarlberg, Robert L. 1990, December 18, "The Social Contract between Society and Agriculture" The Changing Rules by which the Contract is Determined." Remarks to the Annual Meetings of the American Society of Agricultural Engineers. Chicago, Ill.

sales. In fact, U.S. agricultural trade increased from a \$1.93 billion in 1971 to \$26.5 billion in 1981.¹⁸¹ The problem was that reducing the size of the crop in the United States had very little effect on world demand or world prices. Trade barriers that limited U.S. imports of agricultural commodities in order to sustain high prices for domestic crops were also hard to justify. Not only did these policies impose substantial costs on consumers, they closed off export and income growth opportunities to some developing countries that were potential markets for other U.S. farm products.¹⁸² These programs became increasingly anachronistic as they forced rising costs on consumers and tax-payers while they reduced U.S. competitiveness in world markets.

It was also increasingly difficult to justify so huge an agency as the USDA for 300,000 or so mainly wealthy clients.¹⁸³ Commercial farmers in the United States had the natural resources, the transportation and marketing system and the research and extension support to enable them to compete successfully in the world market without a permanent income subsidy. Perhaps federal agriculture policy would have been better served by protecting farmers from a sudden and unexpected drop in prices or a partial or complete crop failure. In reality, the goal should have been to provide a stable economic environment for farmers, rather than to provide them a large and permanent subsidy.¹⁸⁴ In other words, the continued subsidies to grain producers were not necessary to maintain grain production at present levels. What they did was to make land more expensive.¹⁸⁵

¹⁸¹ Ibid, 42.

¹⁸² Ibid, 43.

¹⁸³ Cochrane and Runge, *Reforming Farm Policy*, 144.

¹⁸⁴ Ibid, 162.

¹⁸⁵ Ibid, 166.

Farm policy had been outpaced by the rate of technological invention. This was obvious in the repeated failure of policy to control domestic production. As a result of government policy, the United States increased its dependence on grain crops traded in international markets. From 1962 to 1971, an average of 49.5 percent of U.S. wheat, 13.0 percent of U.S. corn, and 31.1 percent of U.S. soybeans flowed into international trade. By 1983, these proportions had increased to 58.4 percent for wheat, 27.0 percent for corn and 39.4 percent for soybeans. The land area planted to wheat, corn, and soybeans increased 54 percent between 1970 and 1981, while the proportion of total U.S. farm production value accounted for by these three export crops increased by 50 percent, from 16 to 24 percent of total.¹⁸⁶

Agricultural policy was just not capable of protecting farmers from influences outside of American agriculture. The internationalization of agriculture made exchange rate and interest rate policies of equal importance to those of farm policy. The capacity of the U.S. Congress and executive branch to respond flexibly to the rapidly changing conditions of world markets was just not possible within the democratic confines of American politics. The committees of the Congress were unable to modernize policies and make them flexible enough to respond to international markets. But neither was Congress willing to give the power to the executive branch to make rapid adjustments that might have harmed their constituents. The result was incremental adjustments which continually lagged behind the conditions of the market.

A number of key points must be kept in mind as one considers this basic policy approach. It committed, sight unseen, billions of dollars of federal funds to an entitlement program, the

¹⁸⁶ Ibid, 62.

actual cost of which was largely unpredictable from year to year. This forced guesswork on the part of both farmers and the government. Farmers had to decide whether to sign up or to forego the red tape but face higher risks in the marketplace. The federal government had to decide what level of payments would induce what percentage of farmers to come into the program. This, of course, required obligating payments. Then administrators had to turn around and decide how much crop land to take out of production. In the end, total payments were nearly always substantially different from projected ones, making commodity programs an open-ended, budgetary nightmare.¹⁸⁷ The effect of this policy was to encourage the cultivation of those crops that were most heavily protected through high target prices, whether or not they were in market demand. This especially encouraged corn to be grown year after year; discouraging crop rotation practices and raising reliance on chemical fertilizers. How should the Reagan Administration have changed these policies?

The way Congress worked (and still does) was that powerful farm lobbying associations helped elect congressional representatives, and then the congressional representatives helped pass the legislation sought by or kill the legislation opposed by, the associations. These associations vigorously opposed any efforts to eliminate or reform the existing commodity programs. Therefore, on the basis of past legislative history, it is virtually certain that if reform proposals were introduced into Congress in the form of legislation, such legislation would be “quietly killed” in the agricultural committees to which it was assigned. The powerful farm lobbying associations, working with their congressional representatives on those committees, would do the killing. That had been the fate of every important piece of reform legislation

¹⁸⁷ Ibid, 69.

dealing with commercial agriculture since the end of World War II. Three different administrations attempted major reform of American farm policy between 1948 and 1962 but each reform package was defeated in Congress. Therefore, over the years, legislation had been passed that dealt almost exclusively with the specific needs and problems of commercial farmers. The only exception was the development of the food assistance programs for the urban poor. This came about as a compromise between the declining number of farm representatives and the increasing number of urban representatives to, in effect, save the “farm programs.” The bargain was that urban votes for farm policies were exchanged for farm votes for food stamps.¹⁸⁸

Apologists for farm subsidies had a long list of reasons for maintaining the status quo; none of them had merit. The original goals of equalizing farm income and providing adequate banking resources to rural farmers had long since been accomplished. In fact, the Farmers Home Administration had evolved into an unnecessary lender that largely identified farmers who were not credit worthy and lost large amounts of taxpayer’s money in proving that point. An oft-stated goal of making farming attractive to young people was simply not achievable through farm policy. Neither was rural development achievable through farm policy because the vast majority of rural dwellers were not farm workers. Nor was the goal of saving the family farm really necessary. Non-family-owned corporations operated less than one-third of 1 percent of U.S. farms and foreigners owned only 1.3 percent of all farmland. Even of the largest farm size category, 89 percent were operated personally by owners.¹⁸⁹ The number of family

¹⁸⁸ Ibid, 245-248.

¹⁸⁹ Daniel A. Sumner, ed. *Agricultural Policy Reform in the United States*, (Washington, DC: The AEI Press, 1995) 18.

farms was continually falling because almost all farms were family farms and the total number of farms was falling. However, the lost family farms were almost always incorporated into nearby family farms. Each farm family worked with much more land. Those really small farmers worked elsewhere and farmed as a sidelight. The costs to the domestic economy of foreign trade must also be considered.

The importance of trade to the U.S. agricultural economy should not be over-estimated. Domestic markets matter, too, and using higher taxes or higher domestic consumer prices to buy more exports does not make the economy stronger. The sugar policy instituted in 1981 exemplified a trade-distorting policy with substantial costs to consumers. The unnecessary price hikes in sugar occurred because the cost of producing sugar in the U. S. was about twice the cost to import it. The price of sugar varied but the average cost on the world market was about 10 cents per pound and the domestic cost was about 20 cents. The benefit of an expanded quantity of imported sugar of 500 million pounds per year would have resulted in \$100 million saving to consumers. The costs to growers and those who owned sugar-producing land would be less than these gains to consumers because much of this sugar was produced at high cost on land that was environmentally fragile or better suited to other uses. Another example of where consumers bore unnecessary cost was in the dairy case. Import barriers for manufactured dairy products kept domestic prices well above those of potential imports. Most of the U.S. domestic dairy industry could compete quite well in international markets, but the combination of domestic price policy and import barriers made domestic prices much more attractive than exports at international market prices. The appropriate long-term strategy of both consumers and producers of dairy products was to open the United States and other

markets and to ban the use of dairy export subsidies. Such action would have allowed U.S. producers to compete in a non-subsidized export market, and would have allowed U.S. consumers access to additional low-cost dairy products. The price of U.S. peanuts was also distorted. Peanuts were exported into the world market at competitive prices but an import quota set near zero allowed the domestic marketing quota to determine a domestic price well above the export price.¹⁹⁰

Fundamentally changing governmental subsidies to farm commodities would have been a significant undertaking politically even for Ronald Reagan. Reducing subsidies would have had a significant effect on farm land valuation. The Midwestern banking system had invested heavily in farm mortgages valued according to the earning power of the mortgaged land. A loss of farm price supports would have produced chaos in the market for farm real estate and would have threatened the banking system. Further, the distribution of accumulated government farm surpluses would have depressed prices worldwide for a short period of time.¹⁹¹ Even doing the right thing would not have come without major problems.

Reagan would have had to make farm policy his personal crusade if he were to have tried to reform the agricultural policy of the United States. He had the mandate and the charisma to do it. He was a visionary; however, agriculture was not his vision. He did not realize how beneficial to the overall economy farm policy revision could have been. His vision was winning the cold war and fixing the general economy. He looked at the agricultural economy strictly in terms of how many dollars it was going to cost his government. In that he actually did well. By personal diplomacy and jawboning through a threatened veto his administration was able to

¹⁹⁰ Ibid, 86-88.

¹⁹¹ Frances E. Holahan, *New York Times* 19 September 1981, sec. A, p. 26.

drop the \$16 billion House version of the Farm Bill of 1981 down to \$11 billion dollars. Had he understood agriculture policy better and had he taken advantage of the unique situation in which the farm block was fractured, he might have scored another coup to add to his substantial list by educating the country to the need of getting the government out of the commodity subsidy business. However, he did not, and as a result these very same questions are being debated in the Farm Bill of 2008.

Bibliography

- Abler, D. G. "Vote Trading on Farm Legislation in the U. S. House," *American Journal of Agricultural Economics* 71 no. 3 (Aug 1989) 583-91.
- Agricultural Adjustment Act of 1933, Pub>L. No. 73-10, Stat. 31. Washington D. C.: GPO, 1933.
- Agricultural Adjustment Act of 1938, Pub>L. No. 75-430, Stat. 31. Washington D. C.: GPO, 1938.
- Agricultural Adjustment Act of 1948, Pub>L. No. 80-897, 62 Stat. 1247. Washington D. C.: GPO, 1949.
- Agricultural Act of 1949, Pub>L. 81-439, 63 Stat. 1051. Washington D. C.: GPO, 1949.
- Agricultural Act of 1954, Pub>L. No. 83-690, Stat. 897. Washington D. C.: GPO, 1954.
- Agricultural Act of 1956, Pub>L. No. 84-540, 80 Stat. 188. Washington D. C.: GPO, 1956.
- Agricultural Act of 1970, Pub>L. No. 91-524, 84 Stat. 1358. Washington D. C.: GPO, 1970.
- Agricultural and Consumer Protection Act of 1974, Pub>L. No. 93-86, 87 Stat. 221. Washington, D. C.: GPO, 1974.
- Agricultural and Food Act of 1981, Pub>L. No. 97-97, 95 Stat. 1213, Washington D. C.: GPO, 1981.
- American Dietetic Association. "Hunger in America: An American Dietetic Association Perspective (ADA Timely Statement). *Journal of the American Dietetic Association* 87 no. 11 (Nov 1987) 1571-1572
- Anderson, Martin. *Revolution: The Reagan Legacy*. Stanford, California: Hoover Institution Press, 1990.
- Baffes, J. "Some Further Evidence on the Law of One Price: The Law of One Price Still Holds," *American Journal of Agricultural Economics* 73 no. 4 (Nov 1991) 1264-1273.
- Batie, Sandra S. "Soil Conservation in the 1980s: A Historical Perspective," *Agricultural History* 59 no. 2 (1985): 107-23.
- Baker, Gladys L., Wayne D. Rasmussen, Vivian Wiser, Jane M. Porter. *Century of Service: The First 100 Years of the United States Department of Agriculture*. Washington D. C.: GPO, 1963.
- Berry, Jeffrey M. *Feeding Hungry People: Rulemaking in the Food Stamp Program*. New Brunswick, N. J.: Rutgers University Press, 1984.

- Bickel, G., M. Andrews, and S. Carlson. "The Magnitude of Hunger: In a New National Measure of Food Security." *Topics in Clinical Nutrition* 13 no. 4 (Sept 1998) 15-30.
- Blakley, Leo V. 1980. "Milk Prices and the Public Interest: Discussion." *American Journal of Agricultural Economics* 62 (2) 1980 297-99.
- Boehm, William T., Paul E. Nelson, and Kathryn A. Longen. *Progress Toward Eliminating Hunger in America*. Washington: National Economics Division, Economic, Statistics, and Cooperatives Service, U. S. Department of Agriculture, 1980.
- Braeman, John, Robert H. Bremner, and David Brody, eds. *Change and Continuity in Twentieth-Century America: The 1920's*. Columbus, Ohio: Ohio State University Press. 1968.
- Brauer, Carl M. "Kennedy, Johnson, and the War on Poverty," *The Journal of American History*, Vol. 69, No. 1. (Jun., 1982), 98-119.
- Brown, J. Larry and Hank Pizer. *Living Hungry in America*. New York: Macmillan 1987.
- Browne, William P., Jerry R. Skees, Louis E. Swanson, Paul B. Thompson, and Laurian J. Unnevehr. *Sacred Cows and Hot Potatoes: Agrarian Myths in Agricultural Policy*. Boulder, San Francisco, Oxford: Westview Press, 1992.
- Brownlee, W. Elliot, and Hugh Davis Graham, ed. *The Reagan Presidency: Pragmatic Conservatism and Its Legacies*. Lawrence, Kansas: University Press of Kansas, 2003.
- Bullock, D. S. "Objectives and Constraints of Government Policy: The Countercyclicity of Transfers to Agriculture," *American Journal of Agricultural Economics* 74 no. 3 (Aug 1992) 617-29.
- Cannon, Lou. *President Reagan: The Role of a Lifetime*. New York: Public Affairs, 2000.
- Chambers, R. G. and P. L. Paarlberg. "Are More Exports Always Better? Comparing Cash and In-kind Export Subsidies," *American Journal of Agricultural Economics* 73 no. 1 (Feb 1991) 142-154.
- Christ, P. G. "An Appraisal of the U.S. Government's Role in Milk Pricing." *American Journal of Agricultural Economics* 62 1980 279-87.
- Cochrane, Willard W. and C. Ford Runge. *Reforming Farm Policy: Toward a National Agenda*. Ames: Iowa State University Press, 1992.
- Cohen, Barbara. *Food Stamp Participants' Food Security and Nutrient Availability: Final Report*. Alexandria, Virginia: U. S. Dept of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation, 1999.

Congressional Quarterly Almanac. 97th Congress, 1st Session, 1981. Volume XXXVII. Congressional Quarterly Inc. Washington D. C.: 1981.

Congressional Quarterly Service. *U. S. Agricultural Policy in the Postwar Years: 1945-1963*. Washington D. C.: 1963.

Congressional Quarterly Inc., *Farm Policy: The Politics of Soil, Surpluses, and Subsidies*, Washington, 1984.

Davis C. G. "Needed Directions in Domestic Food Assistance Policies and Programs. *American Journal of Agricultural Economics* 68 no. 5 (Dec 1987):1253-57.

Dahlgran, Roger A. "Welfare Costs and Interregional Income transfers Due to Regulation of dairy Markets." *American Journal of Agricultural Economics* 62 No. 2 (May 1980): 288-96.

Deaton, Brady J. "Public Law 480: Critical Choices," *American Journal of Agricultural Economics*, 62 no. 3 (Dec 1980) 988-92.

D'Souza, Dinesh. *Ronald Reagan: How an Ordinary Man Became an Extraordinary Leader*. New York: Simon and Schuster, 1997

Food and Agricultural Act of 1965, Pub>L. No. 79 Stat. 1187. Washington D. C.: GPO, 1965.

Food and Agricultural Act of 1977, Pub>L. No. 95-113 91 Stat. 913. Washington D. C.: GPO, 1977.

Food Research and Action Center. *Hunger in the Eighties: A Primer*. Washington D. C.: Food Research and Action Center.

Food Security Act of 1985, Pub>L. No. 99-198, Stat. 1187. Washington D. C.: GPO, 1985.

Gardner, Bruce L. *American Agriculture in the Twentieth Century: How It Flourished and What It Cost*. Cambridge, Massachusetts and London, England: Harvard University Press, 2002.

-----"International Trade and the Future of American Agriculture." *Journal of Agribusiness* 18 No.1 (Mar 2000): 1059-74.

-----ed. *U. S. Agricultural Policy: The 1985 Farm Bill*. Washington: American Enterprise Institute for Public Policy Research. 1985.

Grubbs, Donald H. *Cry for the Cotton: The Southern Tenant Farmers' Union and the New Deal*. Chapel Hill: The University of North Carolina Press.

Guither, Harold D. and Harold G. Halcrow. *The American Farm Crisis: An Annotated Bibliography with Analytical Introductions*. Ann Arbor, Michigan: Pierian Press, 1988.

- Gundersen, C. and V. Oliveira. "The Food Stamp Program and Food Insufficiency," *American Journal of Agricultural Economics* 83 no. 4 (Nov. 2001) 875-887.
- Halcrow, Harold G. *Agricultural Policy Analysis*, New York: McGraw-Hill Book Company, 1984.
- Hall, Linda T. "Evaluating the Effects of P. L. 480: Wheat Imports on Brazil's Grain Sector," *American Journal of Agricultural Economics*, 62 no. 1 (Feb 1980): 20-28.
- Hall, Tony. *Changing Face of Hunger*. Nashville, W Publishing Group, 2006
- Hamilton, David E. *From New Day to New Deal: American Farm Policy from Hoover to Roosevelt, 1928-1933*. Chapel Hill and London: The University of North Carolina Press. 1991.
- Hanson, G., G. H. Parandash, and J. Ryan "Loan Repayment Problems of Farmers in the Mid-1980s" *Agricultural Economic Report* no. 649, Economic Research Service, USDA. August 1991.
- Harl, Neil E. *The Farm Debt Crisis of the 1980s*. Ames: Iowa State University Press. 1990.
- Hardin, Garret. "Living on a Lifeboat." *Bioscience*, 24 no.10 (1974): 36-47.
- Hardin Charles M. *The Politics of Agriculture: Soil Conservation and the Struggle for Power in Rural America*. Glencoe, Illinois: The Free Press, 1952.
- Hardin Charles M. *Food and Fiber in the Nation's Politics*. Washington D. C.: GPO, 1967.
- Harrington, Michael. *The Other America: Poverty in the United States*. New York: Macmillan Press, 1964.
- "Regan's 'Welfare Reform': A Continuing Assault on America's Hungry," *Food Monitor* 39 (Winter 1987) 10-11.
- Helmberger, Peter, and Yu-Hui Chen. "Economic Effects of U. S. Dairy Programs." *Journal of Agricultural and Resource Economics* 19 (Dec 1994): 225-238.
- Henningson, Berton E. Jr. "The Wealth of Nations and the Poverty of Producers: The Conflict Between Free Trade and the New Deal Farm Program," *Agricultural History*, 61 no.1 (1987): 128-46.
- Hurt, R. Douglas. *The Dust Bowl: An Agricultural and Social History*. Chicago: Nelson-Hall 1981.
- Johnson, D. Gale. *The Sugar Program: Large Costs and Small Benefits*. Washington, D.C.: American Enterprise Institute. 1974.

- Kalaitzandonakes, Nicholas G. "Price Protection and Productivity Growth." *American Journal of Agricultural Economics*. 76 (Nov 1994) 722-32.
- Kester, Howard. *Revolt among the Sharecroppers*. New York: Covici Friede Publishers. 1936.
- Knutson, Ronald, J. B. Penn, Barry Flinchbaugh, and Joe Outlaw, *Agricultural and Food Policy*. Upper Saddle River, New Jersey: Pearson Education, Inc., 2006.
- Krueger, Anne, ed., *The Political Economy of American Trade Policy*. Chicago: University of Chicago Press. 1996
- Lobosco, R. M. "A Commentary on Domestic Hunger: A Problem We Can Solve." *Topics in Clinical Nutrition*. 9 no.2 (Mar 1994) 8-12.
- Lord, Ron. "Sugar: Background for 1995 Farm Legislation." Agricultural Economic Report no. 711, Economic Research Service, USDA April 1995.
- Lowitt, Richard. *The New Deal and the West*. Bloomington: Indiana University Press. 1984.
- Lyons, Michael S. and Marcia Whicker Taylor. "Farm Politics in Transition: The House Agriculture Committee" *Agricultural History*, 55 no 2. (1981): 128-46.
- Maizels, Alfred. *Commodities in Crisis: The Commodity Crises of the 1980s and the Political Economy of International Commodity Policies*. Oxford and New York: Clarendon Press, 1992.
- Manchester, Alden C. "Milk Prices and the Public Interest: Discussion." *American Journal of Agricultural Economics*. 62 (May 1980): 300-02.
- Marks, S. V. *The Economics and Politics of World Sugar Prices*. Ann Arbor: University of Michigan Press, 1980.
- Marshall, J. Paxton and Howard McDowell, *Papers on Issues in Policy for Agriculture*. Virginia Cooperative Extension Service, Virginia Tech and Virginia State, Virginia's Land-grant Universities, 1984.
- Masson, R. T., and Pm M. Eisenstat. Welfare Impacts of Milk Orders and the Antitrust Immunities for Cooperatives." *American Journal of Agricultural Economics* 62 No 2. (May 1980): 271-78.
- Matusow, Allen J. *Farm Policies and Politics in the Truman Years*. New York: Atheneum, 1970 originally published by Harvard University Press, 1967.
- Miller, B. R. and C. Mabbs-Zeno "Estimates of Government Intervention levels in U. S. Peanut Markets," *Southern Journal of Agricultural Economics* 24 (Jul 1992): 153-162.

- McElvaine, Robert S. *The Great Depression: America, 1929-1941*. New York: Three Rivers Press. 1993.
- Meese, Edwin III. *With Reagan: The Inside Story*. Washington: Regency Publishing, Inc. 1992.
- Morgan, Karen J. "Socioeconomic Factors Affecting Dietary Status: An Appraisal," *American Journal of Agricultural Economics*, 68 no. 5 (1986): 1240-46.
- Morris, Edmund. *Dutch: A Memoir of Ronald Reagan*. New York: Random House, 1999.
- Moyer, H. Wayne and Timothy E. Josling. *Agricultural Policy Reform: Politics and Process in the EC and the USA*. Ames: Iowa State University Press, 1990.
- Neth, Mary C. *Preserving the Family Farm: Women, Community, and the Foundations of Agribusiness in the Midwest: 1900-1940*. Baltimore and London: The Johns Hopkins University Press, 1995
- Nestle, M. and S. Guttmacher, "Hunger in the United States: Policy Implications." *Nutrition Reviews*. 50 no. 8 (Aug 1992).
- Orden, David, Robert Paarlberg and Terry Roe. *Policy Reform in American Agriculture: Analysis and Prognosis*. Chicago and London: The University of Chicago Press, 1999.
- Peoples, K. L., D. Freshwater, Hanson, P. Prentice, and E. Thor. *Anatomy of an American Agricultural Credit Crisis*. Lanham, Md.: Rowman & Littlefield, 1992.
- Perkins, Van L. *Crisis in Agriculture: The Agricultural Adjustment Act and the New Deal, 1933*. Berkeley and Los Angeles: University of California Press. 1969.
- Physician Task Force on Hunger in America. *Hunger in America: The Growing Epidemic*. Middletown, Conn: Wesleyan University Press (distributed by Harper and Row) 1985.
- Randolph, Judson G. Jr. "U. S. Sugar Protection: How the Consumer Bears the Cost" *Food Policy* 10 no. 2 (May 1985) 137-44.
- Ranney, C. K. "Hunger and nutrition in America: Discussion" *American Journal of Agricultural Economics* 68 no.5 (Dec 1986) 1258-60.
- Rasmussen, Wayne D. and Gladys L. Baker. *The Department of Agriculture*, New York: Praeger Publishers. 1972.
- Rausser, Gordon and Kenneth Farrell, eds. *Alternative Agricultural and Food Policies and the 1985 Farm Bill*. San Leandro, CA. Blaco Printers, 1985.
- Reagan, Nancy and William Novak. *My Turn: The Memoirs of Nancy Reagan*. New York: Random House, 1989.

Reagan, Ronald. *Ronald Reagan: An American Life*. New York: Pocket Books, 1990.

-----*The Reagan Diaries*. Ed. Douglas Brinkley. New York: HarperCollins Publishers, 2007.

-----"Remarks to the Department of Agriculture Employees on National Agriculture Day, March 21, 1983" National Archives, Washington D. C.

Regan, Donald T. *For the Record: From Wall Street to Washington*. New York: Harcourt Brace Jovanovich, Publishers, 1988.

Resnick, David and Norman C. Thomas. "Reagan and Jackson: Parallel in Political Time" *Journal of Policy History*, 1 no. 2 (1989) 181-205

Reutlinger, Shlomo. "The Value of PL 480," *Food Policy* v. 8 no. 3 (Aug 1983): 246-249.

Saloutos, Theodore. *The American Farmer and the New Deal*. Ames: The Iowa State University Press. 1982.

Sanderson, Fred H. "U. S. Farm Policy in Perspective," *Food Policy* vol. 3 (1) (Feb 1983): 3-12.

Schaller, Michael. *Reckoning with Reagan: America and its President in the 1980s*. New York: Oxford University Press, 1992.

Skinner, Kiron K., Annelise Anderson, and Martin Anderson, ed. *Reagan in His Own Hand: The Writings of Ronald Reagan That Reveal His Revolutionary Vision for America*. New York: The Free Press, 2001.

..... *A Life in Letters. With an Introduction and Commentary by Kiron K. Skinner, Annelise Anderson, and Martin Anderson*. New York: Free Press, 2003.

Sheingate, Adam D. *The Rise of the Agricultural Welfare State*. Princeton: Princeton University Press. 2001.

Soth, Lauren, *The Farm Policy Game Play by Play*. Ames: Iowa State University Press, 1989.

Stam, J. M., S. R. Koenig, S. E. Bentley, and H. F. Gale, Jr. "Farm Financial Stress, Farm Exits, and Public Sector Assistance to the Farm Sector in the 1980s." Agricultural Economic Report no. 645, Economic Research Service, USDA (April 1991).

Staten, Jay. *The Embattled American Farmer*. Golden, Colo.: Fulcrum.

- Stockman, David A. *The Triumph of Politics: Why the Reagan Revolution Failed*. New York: Harper & Row, Publishers, 1986.
- Sumner, Daniel A. ed. *Agricultural Policy Reform in the United States*. Washington: The AEI Press, 1995.
- Agricultural Trade Policy*. Washington, D.C.: American Enterprise Institute. 1995.
- Sumner, Daniel, and C. J. Morosoff. "America's Sour Sugar Policy," American Enterprise Institute, (Sept 1995).
- Terrell, John Upton, *The United States Department of Agriculture: A Story of Food, Farm and Forests*. New York: Duell, Sloan and Pearce. 1966.
- Tweeten, Luther, "Overview of U. S. Agricultural Policy" (Paper presented to "Cross-Country Agricultural Policy Symposium: An International Comparison: Council of Agriculture, Taiwan, ROC) 1998.
- *Farm Policy Analysis*, Boulder, San Francisco, & London: Westview Press, 1989.
- "The Twelve Best Reasons for Commodity Programs," *Choices* 10 No.2 (1995): 4-8.
- Ulrich, Hugh, *Losing Ground: Agricultural Policy and the Decline of the American Farm*. Chicago: Chicago Press Review, 1989
- U. S. Congress. House of Representatives. Committee on Agriculture, General Farm Bill of 1981: Hearing before the Committee on Agriculture, 97th Cong. 1st sess. 31 March 1981.
- U. S. Congress. House of Representatives. Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Cotton, Rice and Sugar, 97th Cong. 1st sess. 17 March 1981.
- U. S. Congress. House of Representatives. Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, 97th Cong. 1st sess. 17 March 1981.
- U. S. Congress. House of Representatives. Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Livestock, Dairy, and Poultry. 97th Cong. 1st sess. 25 March 1981.
- U. S. Congress. House of Representatives. Committee on Agriculture, General Farm Bill of 1981: Hearing before the Subcommittee on Tobacco and Peanuts. 97th Cong. 1st sess. 26 February, 1981.

U. S. Congress. House of Representatives. Committee on Appropriations, Federal Budget for 1982: Hearing before the Committee on Appropriations. 97th Cong. 1st sess. 26 February 1981.

U. S. Congress. House of Representatives. Committee on Appropriations. *Maintaining Current Efforts in Federal Nutrition Programs to Prevent Increases in Domestic Hunger: Report Together with Supplemental Views*. Washington D. C.: GPO, 1983.

U. S. Congress. Senate. Committee on Banking, Housing, and Urban Affairs, U. S. Embargo of Food and Technology to the Soviet Union, Hearing before the Subcommittee on International Finance, 96th Cong. 2nd sess. 14 January 1980, 28.

Wills, Gary. *Reagan's America: Innocents at Home*. New York: Penguin Books, 2000.

Waugh, Frederick V., James P. Houck, and Martin E. Abel, eds. *Selected Writings on Agricultural Policy and Economic Analysis*. Minneapolis: University of Minnesota Press, 1984.

Zey-Ferrell, M., and W. A. McIntosh. "Agricultural Lending Policies of Commercial Banks." *Rural Sociology* 52, 1987: 559-573.

Zulauf, C., L. Tweeten and T. Jackson. *Federal Expenditures for Farm Programs: A Historical Picture since 1950*.

Zulauf, Carl, Luther Tweeten, and Allen Lines, "Farm Income and Farm Programs in the 1990s: Pre-FAIR, Post-FAIR...Fair Enough?" *Choices* vol. 16 no. 1 (2001): 4-8.

Newspapers

Times (New York). 14 January 1981—8 February 1982.

Post (Washington). 3 February 1981—3 February 1982.