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AGRICULTURAL PRICES CONSIDERED IN THEIR  
RELATIONSHIP TO THE WHOLE ECONOMY

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RELATIONSHIP TO THE WHOLE ECONOMY

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AGRICULTURAL PRICES CONSIDERED IN THEIR  
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CHAPTER I: INTRODUCTION

Our system of modern capitalism is composed of numerous functionally inter-related parts, each of which is inextricably bound up with the other sectors. If maladjustments appear in any part of the economy, the proposed solution should not fail to consider the whole economy and the relationships that surround the particular problem. It is apparent, however, that this is easier said than done. The difficulty of studying the "relationships" of various parts of our economic system with the rest of the economy appears almost insuperable. However, the present study was designed to develop an approach to a specific economic problem which would not lose sight of the whole economy and its inter-relationships.

The specific economic problem chosen for this study has sometimes been referred to as the "farm problem." This problem, in brief, is the low average incomes of farmers in the United States. Our government has aimed at the solution of this problem by establishing the parity price program. It is the purpose of this paper to examine this government program and to offer suggestions for a different approach to the problem. This different approach has been given the name "holistic" since it is directed toward the "whole" economy.

Numerous studies have been made concerning the farm problem. Some writers have attempted to find the cause of low income to farmers. They have noted two essential reasons for low farm income in the United States. Some have felt that the cause lies in "the fundamental tendency for agricultural production to expand more rapidly than domestic and foreign markets will absorb the supplies at prevailing prices."<sup>1</sup> Others attribute low income to "the long-run excess of manpower

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<sup>1</sup> Walter W. Wilcox, The Farmer in the Second World War, p. 6.



in farming."<sup>2</sup> Many have considered both of these causes as applicable to the problem.

We are not concerned with the cause of low incomes in this study. The determining of causes is a complete study in itself. We are interested here in some solution to low farm incomes which will also benefit the rest of the economy. The main purpose of this study, therefore, is more than simply a solution for the low incomes that are received by farmers. The general idea to be expressed is simply that perhaps a holistic approach to the problem would have more satisfactory results in both agriculture and the rest of the economy as well than the present parity approach.

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<sup>2</sup> Wilcox, Ibid., p. 6.

## CHAPTER II: THE PARITY PRICE CONCEPT

In this analysis the attempt is made to explain the origin of parity price, the meaning of parity price, how it is determined, and to give the viewpoints of a few well-known students in the field of Agricultural Economics as to the place of the parity price principle in government policy in the future.

### The Origin of Parity Price

"During World War I farm prices rose somewhat faster than other prices, but they also dropped faster and farther than other prices in 1920 and 1921. As a result of this drop in prices there was a great deal of agitation for some form of agricultural relief during 1921 and 1922. Almost without exception, the ideas and devices that were eventually written into the Agricultural Marketing Act of 1929, The Agricultural Adjustment Act of 1933, The Agricultural Marketing Agreement Act of 1937, and the Agricultural Adjustment Act of 1938 can be traced back to this general agitation for farm relief that was first started on a nationwide scale during 1921 and 1922.<sup>3</sup>

In the early 1920's George Warren, who was then in charge of agricultural economics at Cornell University, went to Washington and prepared an index for farm prices. In developing this first index of prices paid to farmers—or, as the term is now used, of prices received by producers—the prices for a number of commodities were used and the period of sixty months, August, 1909, through July, 1914, was selected as a base. This particular period was used because it was believed that a reasonably normal relationship existed between the prices received for this group of commodities and between the prices these producers paid for commodities they purchased. Warren was trying to obtain a rough measure of the purchasing power of farm products. He, therefore, compared farm prices

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<sup>3</sup> Geoffrey S. Shepherd, Agricultural Price Analysis, p. 191.

with all wholesale prices. The following quotation from Warren's bulletin will indicate his concern regarding a price parity.

"Practically nothing that the farmer sells can be exchanged for the usual quantity of other things. It is physically impossible for farmers to absorb the products of factories. Farm prices have dropped much more than wholesale or retail prices of farm products. The low purchasing power of farm products has made it impossible for farmers to buy the normal amount of other things and has been a contributing cause of unemployment."<sup>4</sup>

Warren's comparison between prices received by farmers and all prices at wholesale was not very satisfactory as a comparison. Farmers do not spend their money for goods at wholesale. Accordingly, Dr. O. C. Stine, assisted by others in the Bureau of Agricultural Economics, devised an index of prices paid by farmers in local markets for goods used in family living and production. This index was published for the first time in 1928. From that time forward the comparison between prices received for the main agricultural commodities and this new index of prices paid by farmers has been used to measure the parity relationship.<sup>5</sup>

It wasn't until the passage of the Agricultural Adjustment Act of 1933 that a legal definition of parity was given. This act declares that it is the policy of Congress, among other things, to "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. The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August, 1909, to July, 1914. In the case of tobacco, the base period shall be the postwar period, August, 1919, to July, 1929."<sup>6</sup>

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<sup>4</sup> Ibid., p. 193.

<sup>5</sup> Ibid., pp. 192-193.

<sup>6</sup> Ibid., p. 194.



### The Meaning of Parity Price

The main purpose of the whole parity program of the government is to bring the price and income of the producers of farm commodities to a fair parity relationship with other commodities which they ordinarily purchase. The parity price for any commodity is that price which gives the commodity the same purchasing power in terms of goods and services purchased by farmers that it had in 1910-11. In other words, when farmers sell their commodities at parity, the income they receive will purchase approximately the same amount of goods and services as they did for the same commodities they sold in 1910-11. This is the essence of the parity concept.

### How Parity for Farmers Is Computed

In the computation of parity price for a particular commodity, we must find two things: (1) the average local market price for this particular farm product in the base period, and (2) the index of prices paid by farmers including interest and taxes. Then if further measurement or comparison of this parity price is desired, a parity ratio may be computed. This involves the computation of an index of prices received by farmers.

The average local market price for any particular farm product in the base period has been computed and is available in the United States Department of Agriculture. A few of these prices are quoted as follows: wheat, per bu. 88.4¢; corn, 61.2¢; oats, 39.9¢; cotton, per lb. 12.4¢; hogs, per cwt. \$7.27; and eggs, per doz. 21.5¢.

The index of prices paid by farmers (including interest and taxes) shows the level of prices of commodities farmers buy. It is often called the "parity index." It is based on the prices of 86 items used in family living and 94 items used in farming. These items include clothing; household supplies; food; furniture and furnishings; building materials; automobiles; trucks and tractors; feeds;

farm machinery; fertilizer; equipment and supplies, including gas, oil, and tires; and seed. Also, each of these items is weighted statistically, according to its importance. The index of prices paid in the base period is shown as 100. Prices paid by farmers at other times are shown as percentages of this figure—more than 100 if prices are generally higher—less than 100 if generally lower. (Prices, interest, and taxes paid by farmers July 15, 1947, had an index of 231.<sup>7</sup>)

The parity price for a commodity such as wheat is one that will give the commodity the same purchasing power per bushel that it had in 1909-14. The parity price for a product is found by multiplying its 1909-14 average local market price by the index of prices paid. For instance, the average price farmers got for a bushel of wheat in 1909-14 was 88.4 cents. On July 15, 1947, the index of prices paid was 231, which means that these prices were more than double 1909-14. Multiply 88.4 by 231. The result is \$2.04, the parity price for a bushel of wheat on July 15, 1947. (This parity price is the price that the farmer must receive in order to have a purchasing power per bushel that he had in 1909-14. It should be noted that parity prices change as the index of prices paid, interest, and taxes changes.)

If further measurement is desired, we can find to what extent parity has been achieved by the farmers in general during any particular past period. This is found by a determination of the parity ratio.

To determine a parity ratio we must first compute an index of prices received by farmers. This index shows the general level of these prices at a particular time. Like the prices paid index, it is 100 for the base period. Prices in other periods are shown as more than 100, or less, depending on how prices have acted. Again each item is weighted statistically, to reflect its importance to

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<sup>7</sup> BAE report, Agricultural Prices, U. S. Department of Agriculture, (July, 1947) p. 4.

farmers. The price of wheat, for example, is more important generally, than the price of rye, and is given a greater weight in the index.

The parity ratio indicates how the prices farmers get compare with those they pay. It is found by dividing the index of prices received by the index of prices paid. In the 1935-39 period, for example, the prices received index was 107 and the prices paid index 128. The former divided by the latter gave a parity ratio of 84. This means that in general prices received by farmers were lower compared with prices paid than in 1909-14. On January 15, 1947, the opposite was true, the parity ratio being 121.<sup>8</sup>

#### Background Needed for Better Understanding of Parity-Price Principle

To understand the background of this parity-price principle which is under criticism, the writer offers three major influences which indicate the reasons for the adoption of this approach to the problem of low farm incomes.

- (1) Stems from the idea of "fundamentalism" which stresses agriculture as the fundamental unit of our economy. According to this idea, if agriculture is prosperous, other parts of our economy will benefit since they are all dependent upon agriculture.
- (2) Based on the theory that our economy is simply the sum of its separate parts and that any part of our economy can be segregated and assisted if it fails to function properly. These ideas were characteristic of the early economy dominated by numerous independent productive units under pure competition.
- (3) Agricultural politicians, farm organizations and the farm bloc have all been interested in greater incomes to farmers and the parity price concept is easily understood and ordinarily effective.

The doctrine of fundamentalism claims that agriculture is the foundation of the wealth of a nation. This doctrine, which could perhaps be traced back to the economic theory of the physiocrats of the 18th century, is deeply rooted in the historical experience of nations. "Agriculture is said to be different from

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<sup>8</sup> Wayne Dexter, "How Parity for Farmers Is Measured," The Agricultural Situation, Bureau of Agricultural Economics, Vol. 32, Number 7, July, 1947.



all other production because of its biological nature, because it is eternal, because it keeps man close to the soil and mother earth, because it provides food, clothing, and shelter—the three basic needs—and because it is mentally and physically a healthier occupation than most industrial work, and as a craft of artisans gives greater satisfaction in work than most urban occupations."<sup>9</sup>

The second influence mentioned above will be further amplified in Chapter IV. The third influence—that of pressure groups—has undoubtedly been responsible for the development and growth of the parity concept. Much of our legislation now in effect is embodied by this principle and as already indicated this concept is firmly imbedded in our thinking. It seems unlikely that the government will abandon a parity price approach to our present problem. At any rate, the need for a change of policy is apparent.

#### Weaknesses of the Parity Doctrine

One of the main weaknesses of the parity principle lies in the retention of the relative price structure within agriculture as it existed in the base period. This structure is now out of date because of the different pace of technical improvement in the production of various commodities. Since parity price is determined by multiplying the average price of a particular commodity in the base year times the present index of goods purchased by farmers, if the cost of producing that commodity has dropped materially since 1909-14, the parity price computed will be too high. It is conceivable that many of our present parity prices are too high considering the steady reduction in unit costs of a number of our commodities.<sup>10</sup> To illustrate this weakness, let us consider a particular commodity such as wheat. We have already seen that the average price of wheat in the base

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<sup>9</sup> Karl Brandt, The Reconstruction of World Agriculture, p. 242.

<sup>10</sup> Kenneth E. Boulding, "Economic Analysis and Agricultural Policy," The Canadian Journal of Economics and Political Science, Vol. XIII, Number 3, (August, 1947) p. 438.



period was 88.4¢ per bushel. If we assume that the price index of goods purchased by farmers is now 200, our hypothetical parity price would be approximately \$1.77. If any reduction in cost of producing wheat has taken place since 1909-14 due to improved equipment and use of better methods of production, it is obvious that \$1.77 is too high as a parity price for wheat at the present time.

Another major weakness of the parity concept is the rationalization for parity based on particular interests and emotional drives of a large group of individuals. "The emotional drive behind agricultural policy has been the feeling of farmers, especially of the more well-to-do farmers, that they have not received 'justice' in the distribution of the product. Too much agricultural policy in the past has been based on an essentially false syllogism. The major premise, with which most of us would agree, is that the poor should be helped. However, the minor premise and the conclusion--farmers are poor, therefore farmers should be helped--are open to searching question. The truth is that some farmers are poor, and we might well conclude from this that some farmers should be helped. But some miners and some garment workers and some retailers and some unemployed workers are poor also, while some farmers are by no means poor. Hence, policy which is directed towards 'helping farmers' on the ground that farmers are poor has no foundation in justice. It is unjust to help poor farmers when we do not help poor retailers, and it is unjust to help rich farmers. One cannot help suspecting that a great deal of so-called 'aid to agriculture' is, in fact, a great political bluff engineered by the wealthier farmers who are, of course, the more politically active."<sup>11</sup>

Perhaps the greatest weakness of the parity approach is based on the lack of understanding the complexity of our economic system and the change which has

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<sup>11</sup> Boulding, loc. cit.

taken place in our economy.

Many people still consider our economy as a large organization of independently operated businesses which is coordinated and united by millions of individual economic decisions. According to their philosophy, these independent business organizations exercise little influence on the whole economy by themselves. Similarly, the various industries of the country such as trade, transportation, manufacturing, mining, banking and agriculture all operate rather independently. Any one of these industries could be assisted if it fails to operate efficiently, and it would not affect the rest of the economic system appreciably. In other words, they think of our economy as simply the sum of its separate parts and that any part of our economy such as agriculture can be segregated and assisted if it fails to function properly. They advocate a piecemeal solution to all of the maladjustments which occur within the economic system. Their approach to all economic problems would consist of a whole series of particularized programs aimed to assist each problem separately.

Our complex economy today is so interrelated that each part or sector has a material effect on every other part. The interrelationships are extremely important. They can no longer be neglected as they have been under the individualistic parity doctrine. An approach to the problem of low farm income must be holistic. It must consider the interrelationships between the various sectors of our economy. Parity does not meet this requirement.

#### The Future of Parity Price As a Definite Government Policy

Some students of this question feel that the government's present price policy can do much toward the assistance of farm income. One noted writer expresses the conviction of many when he stated, "Should this policy, already in effect, be significantly altered in the near future? The answer to this question

must be in the negative."<sup>12</sup>

The government price policy was developed first as a temporary method for aid to agriculture during an unsettled period in our economy. Its apparent effect upon farm income has led to the conclusion that "A positive price policy for agriculture will surely be a part of our national program for many years to come."<sup>13</sup>

It is quite evident from the above statements that the government intends to continue its present policy concerning agricultural products as the best approach to the problem of low farm income. We may expect interest in government price policy to be kept alive by farm organizations and other political groups which benefit directly from parity prices. History shows an unmistakable trend toward definite price policies for agriculture. Earlier attempts to influence farm prices were tariffs, freight rate controls, and monetary policies. Later approaches are more direct—government loans, diversion programs, marketing agreements and production restrictions. During the war direct price controls have increased. Also, it should be noted that national price policies are not limited to agriculture. Minimum wage standards have been developed for labor and recognized by law. Federal and State governments regulate public utilities, banks, insurance companies and many other types of businesses. A national agricultural price policy is only a part, but a very important part, of a general development involving virtually every phase of the nation's economy.<sup>14</sup>

A few students on the subject, however, have pointed out that price policy is not the sole solution to the problem. They have indicated that the problem

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<sup>12</sup> J. G. Maddox, "A Price Policy for Agriculture," Journal of Farm Economics, XXVII, (November, 1945) p. 872.

<sup>13</sup> L. H. Simerl, "A Price Policy for Agriculture," Journal of Farm Economics, XXVII, (November, 1945) p. 895.

<sup>14</sup> Simerl, loc. cit.



is so large that it cannot be solved by one simple approach such as parity prices.

The following quotation shows this general doubt expressed by many:

"We are sorely in need of an income policy designed to increase farm welfare—and general welfare for that matter—by improving personal income distribution and establishing minimum consumption standards of health and decency. That, price policy cannot do. What should be expected from price policy is to stabilize the terms of exchange between farm and non-farm products as a whole, and to improve the allocation of farm resources among the various lines of production by reducing the uncertainty of future price expectations and by keeping intercommodity price relationships in line with changes in demand and costs.

"It is important to realize this limitation of price policy because the basic intent of existing parity price legislation is clearly to implement the goal of 'equality for agriculture' and 'parity income for farmers.' Price policy alone cannot attain that goal."<sup>15</sup>

Yet even though the author of the above quotation feels that any price policy is inadequate in accomplishing increased general welfare, he feels that parity price will continue to dominate the government policy of aid to agriculture. "Although there are powerful economic arguments against the parity price concept, it has become so firmly imbedded in the thinking of farm organizations and in farm legislation that a complete departure from parity prices in postwar price policy may not be politically feasible."<sup>16</sup>

Since some students on the subject of government price policy have tended to doubt the effectiveness of the "parity" principle to promote greater general welfare, the writer feels that the alternatives to the present price policy should be further explored. Chapter III gives the alternative of "Forward Pricing." Chapter IV is an attempt to present the necessity of viewing the problem in a broader light. It stresses the importance of the whole economy and in general criticizes the basic principles underlying the parity price concept.

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<sup>15</sup> Rainer Schickele, "A Price Policy for Agriculture," Journal of Farm Economics, XXVII, (November, 1945) p. 879.

<sup>16</sup> Schickele, Ibid., p. 880.



### CHAPTER III: THE FORWARD PRICE PRINCIPLE

An alternative to the parity concept has been suggested in the principle of forward pricing. This alternative has been developed by T. W. Schultz as much more desirable than parity. Mr. Schultz, in criticizing the present policy of the Department of Agriculture, makes the following statement. "Thus it might be said that parity prices have provided the Department with an over-all policy. In this, the aim has been to control supplies, use loans and storages and other devices to attain parity prices. Thus, parity prices have been looked upon as price goals, as ends, to be attained. Consequently, prices have not been used as a technique for guiding and directing farm production except as the resulting production favored parity prices. It is now quite apparent that parity prices are inappropriate guides for managing agricultural resources."<sup>17</sup>

"Before it is possible to forge a new policy, many old attitudes and beliefs about the function of prices will have to be re-examined and changed. Prices must be seen and employed as economic directives and not as goals."<sup>18</sup> The forward price principle is based on the idea that prices have a function, and that function is to direct and regulate economic processes. Prices can be used to induce farmers to use their resources most effectively. Prices can also be used to distribute the food among consumers most wisely. Prices are the most basic and far-reaching administrative technique yet devised for directing and coordinating both the production and distribution of the food supply. Farm production involves the decisions of millions of entrepreneurs, each confronted with a different set of resources. Consumption involves the decisions of even more millions of

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<sup>17</sup> T. W. Schultz, Redirecting Farm Policy, p. 6.

<sup>18</sup> Schultz, Ibid., p. 7.

consumers with widely different needs, tastes, and purchasing power. These decisions and actions can be effectively coordinated only through prices.

Two major steps should be followed to bring about a more efficient system of farm prices. The Department of Agriculture has the technical staff and the administrative machinery at its disposal to adopt these two steps which are:

(1) Production goals, and (2) Forward prices.

#### Production Goals

The first step in this new price policy is to determine the nature of the demand for farm products, including that of consumers at home and market outlets abroad. A production goal should satisfy the following conditions:

- (a) It should be that volume of production which best represents what our food and fiber requirements are and what agriculture is capable of producing.
- (b) It should be determined in sufficient time to enable the Department of Agriculture to announce prices to induce the necessary production.
- (c) It should be revised whenever our requirements have changed and when it is possible for farmers to alter their production plans.

The Department of Agriculture has a vast fund of data, highly trained technical experts, and administrative machinery to perform the important task of formulating production goals which will reflect the capacity of agricultural resources to produce and the needs of society. Congress could be advised and possibly approve each year the production goals that best reflect both the amount which agriculture is capable of producing and the requirements of society. The Department should then be authorized to use its administrative machinery to attain the production goals as established.

#### Forward Prices

The second step in employing the farm price mechanism to allocate farm resources is to establish a system of forward prices. This procedure has been tried in the case of soybeans with satisfactory results. The idea of a forward

price is new. A forward price should meet the following specifications:

- (a) It should be that price which is necessary to induce farmers to produce enough to meet the production goal.
- (b) It should be announced sufficiently far in advance to enable farmers to make their production plans.
- (c) It should be established to cover a sufficiently long time so that farmers could carry out their production plans with some certainty.
- (d) It should be made sufficiently precise in terms of the grade and quality of the commodity and the time and place at which the price would be in effect so that every farmer could interpret the price in terms of his operations.

Forward prices are a gigantic futures market operated to coordinate and direct agricultural production. They are not goals but a part of the necessary machinery for directing production. The Department of Agriculture will have to decide how often it should change farm prices. Price administrators have essentially three alternatives in this matter. First, they may let farm prices stay highly flexible and subject to change without notice. Second, they may fix farm prices for a relatively long period. Third, they may establish farm prices far enough into the future to cover the next production period and change them at the time a new production period starts.

How frequently farm prices should be changed depends primarily upon the nature of the changes that occur from time to time in food needs and upon the production effects of farm prices. The course to be followed should be charted in terms of production periods. Specifically, each farm price should be established for one production period ahead and no longer.<sup>19</sup>

#### Anticipated Results of a Forward Price Program

A forward price program should be able to reduce much of our unbalanced production which has characterized agriculture in the past. Since production of

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<sup>19</sup> Schultz, Ibid., pp. 8-59.

agricultural commodities results from numerous independent decisions, gluts often appear for different products. A greater supply of a particular commodity is produced than can be sold at a price sufficient to cover its cost of production. The income to the farmers whose commodities are overproduced will then drop to a very low level. The forward pricing principle, if it could be made to operate effectively, would surely prevent much of this unbalanced production in agriculture. This factor, together with the minimum prices resulting from forward price floors, would tend to improve agricultural incomes for farmers in general. However, this program is not sufficient, by itself, to bring about greater incomes for farmers to the extent necessary. "Other farm programs will have to be reshaped to complement and support a price policy of the type outlined. It is important to emphasize that a farm price mechanism administered as a system of forward prices will not of itself be sufficient; in other words, supplementary programs will be required."<sup>20</sup>

A brief analysis of the forward price program has been presented. No attempt has been made to point out the numerous problems which the adoption of such a program would involve. The purpose of including this analysis in the present study is simply to indicate an alternative plan which has been suggested to replace parity. Mr. Schultz felt a need to examine the agricultural problem in a broader light than is evidenced by the parity doctrine. "Another and more fruitful approach in giving breadth and insight, however, is to examine agriculture as a part of the total economy and to study the economic difficulties that arise within this larger relationship."<sup>21</sup> "This trend in agricultural economics is realistic and healthy. However, it has not yet penetrated very far

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<sup>20</sup> Schultz, Ibid., p. 59.

<sup>21</sup> Schultz, Ibid., p. 2.



into the thinking of agricultural organizations and agricultural politicians, among whom 'parity' is still a war-cry. It is perhaps one of the most important tasks of economists to expose the weaknesses of the 'parity' doctrine, and indeed of the whole school of thought which it represents."<sup>22</sup>

Forward Pricing Not Sufficiently Broad in Scope

The need of viewing the agricultural problem from a broader perspective has stimulated the writer's interest in the whole subject of low farm incomes. If some approach to the farm problem could be developed which would encourage farmers to produce as many commodities as their capacity would allow and at the same time keep their income relatively high, then the rest of the economy would be benefited. Such an approach would have to concentrate attention on the whole economy.

Forward pricing, the approach to the farm problem offered by Mr. Schultz, does not involve sufficient breadth to encompass our present complex economy. He points out that the government made a mistake in its past policy in attempting a "whole series of particularized programs, not realizing that a master price policy was necessary to coordinate the total effort."<sup>23</sup> Yet he states that other farm programs will have to be developed to support a forward price policy. He appears, therefore, to advocate another whole series of particularized programs to replace those discarded. His forward pricing policy will not be an all-inclusive, general approach. It does not examine agriculture as a part of the total economy nor does it consider the interrelationships that exist between the various parts of our present system.

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<sup>22</sup> Boulding, op. cit., p. 433.

<sup>23</sup> Schultz, op. cit., p. 7.

Some other approach, considerably broader in scope, is desirable if we are to solve the agricultural problem and numerous other maladjustments that exist in our modern capitalistic economy. This approach should emphasize increased production not only in agriculture but in industry as well. A fuller utilization of resources and the resulting increased production of all commodities would aid everyone in our economy. This approach examines agriculture as a part of the total economy. This is a holistic approach.

What Constitutes A Holistic Approach

The parity doctrine is based on an approach which was characteristic of an economy entirely different from our present interrelated system. This out-dated approach to an economic problem is indicated in the following quotation. "Thus the way to analyze a broad economic issue is to examine the many minor issues that make up one broad issue. According to this methodological view a whole is no more than the sum of its parts; any whole is a mere summation or assemblage of its many parts or elements. The meaning of such a whole is derived from the meaning of its various parts, and is to be grasped by inquiring into the meaning of the various elements comprising the whole. Since it is held that meaning flows from the parts to the whole, the additive method is alleged to be the proper method of economic analysis."<sup>24</sup> In reference to one of the neo-classical writer's opinions regarding the economic system, he felt that "there is no special need to consider the whole economic system as a distinct entity with meaning drawn from its own collective nature."<sup>25</sup> The whole philosophy behind the parity approach must, of necessity, agree with this additive methodology.

Holistic economic thought has as its aim a broad interpretation of the working of the modern American economy. "The type of scientific thought which has been described as 'holistic' takes the physical world to be an evolving, dynamic whole or synthesis, which is not only greater than the sum of its parts, but which also so relates the parts that their functioning is conditioned by their interrelations."<sup>26</sup> Thus a holistic approach takes the American economic system as an evolving process or going concern any one part of which is to be fully ex-

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<sup>24</sup> Allan G. Cruchy, Modern Economic Thought, p. 45.

<sup>25</sup> Cruchy, Ibid., p. 46.

<sup>26</sup> Cruchy, Ibid., p. 4.



plained only in the light of its relations to the whole dynamic economic system.

At present, many economists' concept of wholeness greatly influences their views on scientific methodology in examining any economic problem. "The essence of this methodological approach is that economic data are to be selected, abstracted, and interpreted in the light of the fact that they are integral parts of a larger, evolving whole. All parts of the economic system are to be investigated with the realization that they are but 'items in the scheme of life' known as modern capitalism, and that they draw much of their meaning from the scheme of things of which they are constituent parts."<sup>27</sup>

It is necessary that we adopt this holistic methodology if we hope to solve many of the maladjustments which occur in our present economy. There is a great need to view the economy as a distinct entity. The interrelationships should be studied from the standpoint of their importance in understanding the whole. Our present economic system does not lend itself to piecemeal solution. The parity price concept is based on the fallacy of aid to one sector of our economy and offers nothing toward the greater problem of periodic low incomes to practically every other major group of people in our society. The parity principle does not consider the whole economy nor does it aim toward assisting industries other than agriculture which are often in need of aid.

#### A Holistic Approach to the Farm Problem

A fuller utilization of resources is a holistic approach which would not lose sight of the interrelationships in our economic system. The most effective utilization of economic resources is the central problem to any economic system. A full and balanced utilization of economic resources will result in higher levels of living for every individual within the economy. Not only will farmers in general benefit from such effective use of manpower and natural resources, but

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<sup>27</sup> Gruchy, Ibid., p. 55.

industrial workers, bankers, merchants, doctors, lawyers, and even school teachers will maintain higher living standards than are now realized. This main objective involves a much broader frame of reference than the parity price concept of maintaining high prices for agricultural commodities through subsidy by the government. The study of this main problem involves the holistic method of economic analysis. The old additive methodology which forms the basis of the parity approach cannot be used in this analysis.

The following quotation is given to show the importance of this main objective of fuller utilization in our economy.

"It becomes apparent that the development and adoption of techniques for bringing about and maintaining reasonably full employment of men and machines is not only a major problem, but is today the Nation's most pressing economic problem, relegating all other economic problems to a secondary position so long as it remains unsolved. Its solution would simplify and reduce to manageable proportion most, if not all, of the other important economic problems of the day, while the lack of reasonably full employment intensifies and constitutes such a major element in each of these other problems that a sound solution of them cannot be worked out in the presence of extensive unemployment of men and machines.

"This does not mean that the problems of getting better balance and efficiency in the use of resources, of dealing with technological unemployment, stranded population, crop surpluses, the use of sub-marginal land and substandard city housing are not important problems but rather that every one of these problems is intensified and made more difficult to deal with by the general low level of economic activity and that their solution alone would not bring about full employment."<sup>28</sup>

The parity price principle can do little toward the main objective of fuller utilization of resources in our economy since parity aids only one segment of our complex and interrelated economy.

#### Fuller Utilization of Resources Offers a Solution to Farm Problem

A broader solution is necessary regarding our present problem and this solution is directed toward fuller employment of all national resources including manpower, natural resources, and productive plant. If a fuller employment of man-

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<sup>28</sup> Gardiner C. Means, Structure of the American Economy, Part 2, p. 6.

power and resources could be accomplished, a question is immediately raised. How would fuller employment of resources tend to get at the solution of the farm problem? The following quotation may help to answer this question. "If there is ample employment opportunity, the problem of technological unemployment would be reduced in the main to one of retraining and transfer. Stranded populations could be relocated with more likelihood that the able-bodied members would find employment. The pressure to farm submarginal land would be reduced if there were ample employment opportunities elsewhere, and through remaining a significant problem, it would assume more manageable proportions. The opening up of opportunities in industry would tend to reduce crop production to some extent at the same time that the market for crops was somewhat expanded, thus reducing the problem of crop surpluses. The increased income of workers which would result from fuller employment would somewhat reduce the problem of bringing about the construction of adequate housing since workers would be able better to afford the higher rentals or costs involved in better houses. . . . Thus, in situation after situation, general unemployment so intensifies other problems that they are almost insoluble; but if reasonably full employment were brought about, they would be reduced to compassable proportions. Insuring reasonably full employment is thus the Nation's most basic economic problem."<sup>29</sup>

This study does not intend to include a solution for the disutilization of resources in our economy. This problem is so broad in its scope and so basic in its character that no simple solution is likely to be found nor can a solution be found in a day or a year. The problem will require constant effort on the part of all governments—federal, state, and local—suggestions and plans by all academic leaders, and cooperation by all civic and political leaders. The first

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<sup>29</sup> Means, loc. cit.



step in the solution of this basic problem as viewed by the writer is the development of a new way of thinking by the whole population concerning our economy. This reorientation in our thinking is a primary step if any solution to the basic problem is ever to be put into effect. This primary step will be no easy task. The old additive approach characterized by the parity doctrine has been so inculcated in our whole philosophy that no radical departure may be expected in the near future.

### The Holistic Character of Our Contemporary Economy

Any economic problem should be considered in relation to the whole economy because of the complexity of our present economic system. This complex economy is of rather recent origin. It has been built up over a long period of years with constant readjustment to meet new conditions. Since these changes took place gradually, many people do not realize the nature of our present economic system. They do not consider our present economy as any different from that which existed several decades ago. The following quotation summarizes the basic change in our economy. "The relative importance of large corporate units in the American economy appears to have been fairly steadily increasing as a part of the process of shifting from an economy primarily agricultural in character to one predominantly industrial. As recently as 1870, 53 per cent of the persons gainfully occupied were engaged in agriculture. Broadly speaking, industry--consisting primarily of transportation and the public utilities, mining and manufacturing, and wholesale and retail distribution--has in the last century displaced agriculture as the dominant characteristic of the American economy. With this industrialization an increasing proportion of the whole economy has come to be carried on by corporations while large corporations have come to play an increasing role both in relation to all corporations and in relation to the national economy."<sup>30</sup>

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<sup>30</sup> Means, Ibid., Part 1, p. 106.

The importance of the growth of the corporation as any solution to an economic problem is very significant. As our economy has become more industrial, it has created many new problems which are in need of solution. With the growth of industry and the corporation, periodic business fluctuations have developed. Industrial production is today indirect production. Numerous estimates must be made in the productive processes since goods are produced in anticipation of future demand. Inaccurate judgment on the part of business men will often create unbalanced production and possibly a business recession. This in turn will cause unemployment of both human and natural resources. Also we notice a failure to use resources effectively in so-called normal periods. This causes many groups within the economy to suffer through continuous low income or no income at all. "It is inevitable that such a complex organization of human activity should fail to function perfectly. Resources are wasted or used ineffectively as parts of the organization get out of adjustment with each other, or as the organization fails to adjust to new conditions; as individuals fail to find, or are prevented from finding, the most useful field of activity; as material resources are unused, or as their effective use is impeded by human barriers; and as the most effective technology is not used or its use is prevented."<sup>31</sup>

It is obvious, therefore, that many, if not most, of our economic problems or maladjustments in our economic system have developed as a result of the growing complexity of our economy. Because of the interrelationships in this economy, one maladjustment often leads to another until the whole economy is out of balance. A piecemeal solution to any of these maladjustments would neglect the relationships between the parts and might conceivably have an adverse effect on the whole economy. Any solution to economic problems in our present economy should consider these relationships. A holistic approach as exemplified by a fuller utilization

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<sup>31</sup> Means, Ibid., Part 1, p. 1.

of resources would seem to offer such a solution.

The people of this country must become more concerned with the problems of economic growth and change. First of all they must become more familiar with the complexity of our present system and the change that has taken place in our economy. After the change in our economy has been sufficiently understood and appreciated, then they will feel the need for something beyond the inherited, additive methodology as indicated by the parity doctrine. In order to understand the change in our economy we must examine the change that has taken place in our pricing system.

#### Fuller Utilization of Resources Hampered by Price Rigidities

Price flexibility or price sensitivity characterized the old economy of small independent producing units. The sensitivity of prices during this period tended to force correction of serious maladjustments in production. Our present economy, however, no longer is featured by price sensitivity. On the contrary, price-rigidity distinguishes our National economy.

With the growth of large-scale enterprise, we have noticed a growth in rigid prices in a number of basic commodities. These rigid prices are due to the way in which these prices are determined. Two main processes by which prices are arrived at are as follows:

- (a) Market Prices. These are prices made in the free market as a result of the interaction of a very large number of buyers and sellers. The price of wheat in the Chicago Wheat Pit and the price of steel shares on the New York Stock Exchange are examples of prices made in a free market.
- (b) Administered Prices. In a more restricted market, these prices are made by administrative decisions influenced to a greater or lesser extent by market conditions. The wholesale prices of automobiles and agricultural implements are set by the respective manufacturers, and these result from administrative decision.<sup>32</sup>

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<sup>32</sup> Means, Ibid., Part 1, p. 109.



As already indicated, our present economy is predominantly industrial; and large corporations have played an increasing role. It has been estimated that approximately 90 per cent of all industrial goods produced in this country are produced by the corporate form of business organization. Furthermore, relatively few large corporations produced most of these industrial goods. "It can be said that there is such a degree of concentration in relation to the market for the bulk of goods in the American economy that to a major extent the prices of goods are formed on an administered basis rather than on the basis of a free market. Only in the case of agricultural products and certain other products is price formed in a free market."<sup>33</sup>

These administered prices are determined to a great extent by large producers who agree collusively as to the prices which will prevail. Prices are therefore determined by definite price policies. These administered prices do not move as a result of a change in effective demand. They tend to remain rigid or sticky when demand slackens in a particular market. These price-rigidities or administered prices prevent the old automatic market mechanism from operating to level off business fluctuations. When retail prices in our economy start to fall due to a reduction in effective demand, many basic prices such as steel, coal, transportation, labor, lumber, machine parts, etc., often remain about the same. This in turn causes reduction in utilization of natural resources, manpower, and productive plants. As this unemployment in all resources starts to decline, it precipitates further curtailment of resource use and brings about tendencies toward depression. The results are inescapable under our present administered price economy.

Similarly, rigid prices prevent full utilization of resources in so-called

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<sup>33</sup> Means, Ibid., Part 1, p. 116.

normal years. Many times prices of basic raw materials such as steel, coal, lumber, and rubber are maintained at a higher level than their costs of production would justify. This in turn would cause higher prices for consumption and production goods. This would in turn discourage expenditures for these goods. Therefore, business activity would be maintained at a level somewhat lower than its potentialities due to these price rigidities.

At this point, it should be emphasized that there is no single solution to the basic problem of under-utilization of resources. Price rigidity is only one single cause and should not be considered as the most important factor in our problem. Full employment will require a group of policies aimed at the national economy as a whole. In dealing with this problem all of our economic institutions must be studied and considered as to their possible influence on the economy. These institutions should include: the government's budget and taxation policies; money and banking; goods prices, wage rates and security prices; consumer incomes, and national income; international trade and finance; corporate finance and dividend policies. Since our basic problem involves the whole economy, its solution must be directed toward the whole economy. "No amount of piecemeal adjustment on the basis of piecemeal policies is likely to insure reasonably full employment of resources."<sup>34</sup>

It should be realized, therefore, that price rigidity is only one of the many causes of unemployment of resources. Yet it might be beneficial in this study to proceed somewhat further in the analysis of rigid prices. The purpose will be simply to give a possible line of action which might reduce one of the causes of unemployment of resources. Other suggestions can be developed for the remainder of the causes of disutilization of resources and improvements can be

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<sup>34</sup> Means, Ibid., Part 2, p. 5.

made on this discussion of price rigidities. Our basic problem is enormous and will require study and suggestions especially by every student in the field of economics.

#### Possibility of Decreasing Price Rigidities

Efforts to unpeg unduly rigid prices would have to be instigated by the Federal Government. It is the only agency with facilities including personnel to undertake such a project. "It is quite impossible for administrative agencies to determine accurately the appropriate price or the appropriate wage. The flexible functioning of the economy requires that this be left largely to the private determination of the parties concerned. It is, however, probable that better price and wage policies could be implemented by a governmental review of proposed price or wage increases. The burden of proof would then be put upon the industry or the trade union to show that the facts in the economic situation really justified the price or wage increase."<sup>35</sup> Likewise, if the administrative agencies decided that certain prices should be lowered due to a change in the economic situation, it would be the responsibility of the industry or trade union to show that the facts did not justify a price reduction in their particular industry. Failure to do this would result in the necessary price reductions. This whole program would prevent the maintenance of certain price structures which did not conform to cost of production. Industries would have to substantiate continually their price structure to these administrative agencies by making available their expenses and costs of production records. Any price change would have to be approved by these agencies before it could go into effect. Undoubtedly, it would require an extended period before this whole program could be expected to operate efficiently. Adjustments and alterations in policies would take place largely through trial and error. The task of the administrative agencies would

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<sup>35</sup> Alvin H. Hansen, "Price Flexibility and Full Employment of Resources," The Structure of the American Economy, Part 2, p. 31.



take place largely through trial and error. The task of the administrative agencies would be far from simple. And yet a general reduction of price rigidity could be expected if continued effort on the part of business, labor unions, and the government could be encouraged. This combined effort and cooperation would not be obtained unless there were general agreement as to the results of such a program. The whole program's purpose and expected accomplishments would have to be known and understood by everyone. The benefits which could be expected to accrue to all parties within our economy would have to be clearly delineated. Cooperation could only be expected after each person understood exactly how he would gain through price fluidity and a probable increase in resource utilization. Thus we see that any general program which aims at a fuller utilization of resources must first be understood by the general public. The support of every individual would have to be enlisted before the desired results could be expected.

In the preceding analysis, we have mentioned only one specific policy that might be developed as a starting place toward a fuller utilization of resources. This is known as the reduction of price rigidities. As previously noted, any approach to the basic problem of our economy must be broad in scope. The creation of price fluidity is insufficient by itself to accomplish increased utilization. Every fiscal policy of the government must be directed to this end. Every effort must be aimed toward this broad objective. The magnitude of our problem due to the complexity of our whole economy must be kept constantly in mind. Thus a whole group of government policies must be developed for the purpose of increasing the utilization of our resources throughout our whole economy. These policies must be developed into a systematic plan of action based on the whole economy.

Such a general plan of action will undoubtedly meet with numerous difficulties. A few of these main obstacles are given to indicate the complexity of such a holistic program.

A Reorientation of Our Thinking Concerning Our Economy

The first and foremost difficulty lies in the reorientation of our thinking concerning our economy. Before a system of policies can be developed which may reduce unemployment of our resources every individual must be acquainted with the change that has taken place in our economic system. This necessary understanding will provide the basis for the development of a systematic plan of governmental policies. When our new economy is properly understood, proposed policies affecting this economy will be understood and accepted.

The central idea which the writer has attempted to present in this whole study is the necessity of creating a reorientation in the thinking of the people relative to our national economy. In analyzing any economic problem we must constantly consider its relationship to the rest of the economy. The agricultural problem was selected for this study simply because it is an outstanding example of the outdated theorizing concerning an economic problem which was prominent in an economy entirely different from our present system. Before our economy evolved into its present complexity, particular problems were solved by segregating each problem and studying it apart from the whole. This simple approach to a problem has been called the "additive" approach because it considered the economy simply as the sum total of a number of separate parts. The total economy was no greater than the sum of its separate parts. In a simple economy of this type any problem could be dealt with independently without any material effect on the rest of the economic system. The parity principle would be the logical solution to the agricultural problem in such an economy.

This simple economy was characterized by a large number of independent producers, each turning out products with little knowledge of the activities of his competitors. The price he received for his goods was determined in a free

market largely by the forces of demand and supply. Most prices were market prices. That is, they were largely made in the free market as a result of the interaction of a very large number of buyers and sellers. The automatic price-adjustment mechanism was able to operate rather effectively. There was greater mobility of the means of production than under our present economy. Production tended to move toward the higher price opportunities. If this caused a glut in the market for a given commodity, the resulting price fall would cause the higher cost producers to leave the field. This would eventually result in an under-supply which tended to force the price back up. This simple economy was said to be self-adjusting. These characteristics of our earlier economic system are often considered to be predominant in our present economy. Many people express the conviction that our economy can operate most efficiently if the government would only adopt a complete laissez faire policy. They detect very little structural or operational difference between our present economic system and that which existed a century ago. It will be necessary for these people to understand the basic structural change that has taken place before any different approach can be adopted. Since this change has been so gradual, few people have recognized and fully appreciated the effects of this change on the solution to any economic problem. It is the economist's task, therefore, to emphasize the change that has taken place within our economic system and to explain the repercussions which are generated by this change. The simple additive approach will have little effect on the solution to the problems which arise in this new economy. An approach must be developed which can cope with the complexity of our present system. Such an approach has been suggested in the development of policies which will provide a fuller utilization of resources.

### The Meaning of Terms

The second difficulty of significant importance is the determination of the

meaning of the terms "effective use" or "fuller utilization" of resources. In the development of a group of policies to bring about a more efficient utilization of resources we are faced with the difficulty of determining what greater efficiency means. The writer feels that a greater sum total of satisfaction could be accomplished if all resources were utilized more effectively. And yet the difficulty of deciding when resources have achieved a more effective utilization is apparent. What test can be applied to determine if resources are more effectively employed at one time than another? How will we know when we have attained fuller utilization of resources?

If the greatest possible sum total of satisfaction to a people resulted from the employment of our resources, the utilization of resources would then be effective. Efficiency would then characterize the employment of our resources. Yet we are faced with the same difficulty when we attempt to measure the sum total of satisfaction. It is impossible to decide whether the production of one particular commodity would contribute more total satisfaction to the general public than another. Therefore, it is evident that the terms "fuller utilization of resources" and "greater sum total of satisfaction" are incapable of exact measurement. Yet this should not prevent us from trying to reduce unemployment of resources and much waste that takes place in the production of our aggregate goods and services. There are many idealistic goals within the realm of everyone's experience which are also incapable of measurement. Happiness is one of the goals toward which everyone strives. It cannot be measured. Yet this does not reduce the enthusiasm to acquire happiness. Similarly, a fuller utilization of resources should be a goal to which every person within our economy strives to attain. Our government is the proper agency to coordinate these individual goals so that they can find expression in a general plan of policies aimed at a fuller and more effective use of resources.



### Selection of Policies

Another difficulty is the selection of policies to accomplish this increase in effective use of resources. Also agreement must be reached as to the extent to which each policy is pursued. Some fiscal policies undoubtedly would have greater effect on the basic problem than others. It may be found desirable to devote more attention to money and banking controls than to taxation and budget policies. Or it might be decided that control of consumer and national income should occupy a more important place in the general plan of policies than corporate finance and dividend policies. International trade might be selected as the institution which could be used most advantageously toward the solution of our basic problem. On the other hand, the control over goods prices, wage rates, and security prices may be noted with greater favor by the majority of policy makers.

Before any effective plan for increasing employment of resources can be accomplished, we must obtain general agreement concerning the various governmental policies adopted and the extent to which each policy should be developed. Undoubtedly many differences of opinion will be voiced and many disagreements will arise before any satisfactory plan of policies can be put into effect. A final compromise on the policies to be used will have to be achieved. Whatever form the final plan of policies may take, it must be clear that it will be continually subject to change to meet a rapidly changing economy. Success will depend to a great extent on its flexibility.

In applying the selected policy plan, trial and error must be the procedure. If anticipated results are not realized, the policy makers should not hesitate to alter the plan. The difficulty of proper timing will require considerable experimentation. Those responsible for the policy together with all of the people within the economy must exercise patience and endurance during the experimental

period. Success will likely be realized only through a gradual process and only after numerous mistakes have been made.

### The Need for Public Support

An improvement in our present economy is possible if interest can be stimulated among all the citizens throughout this country. Public support of any government program would be a prime requisite. Cooperation is essential to success. If the people within the economy are not interested in the program or if they do not believe the plan of policies will be successful, it is doomed to failure. Faith in the program and in the directors of the program must be inculcated in the minds of the people. This presents another difficulty to be encountered in any attempt to increase our resource utilization. Other difficulties would undoubtedly develop if a comprehensive plan of policies were selected and put into effect. The above difficulties and any others that might arise would have to be met and solved before any solution to our basic problem could take place.

## CHAPTER VI: SUMMARY AND CONCLUSIONS

The purpose of this whole study is to examine a particular economic problem in relation to the whole economy. The farm problem was found to be an economic problem which is greatly in need of a solution. Consequently, it was chosen for the present study. The government is attempting to solve the farm problem by the use of parity. The logical beginning of the study, therefore, is the development of an understanding of parity prices.

The origin of parity price is given to show the particular circumstances which caused the need for assistance to agriculture. The meaning of parity price and the way in which it is computed is presented to show how parity can prevent low income to farmers. The background of the parity principle indicates three major influences which brought about the adoption of this approach. The most important of these three influences was the theory that our economy is simply the sum total of its separate parts and the complex interrelationships therefore have no importance. This is also the major weakness of the parity doctrine.

The advocates of parity do not understand the change that has taken place in our present economy which renders a piecemeal program such as parity totally inadequate. A number of students of agricultural economics expect parity to remain as a definite government policy for many years to come. Yet some students of the subject doubt the effectiveness of the parity principle to promote greater general welfare. Consequently, the alternative program known as forward pricing is briefly presented. This approach, however, does not concentrate attention on the whole economy. It does not examine agriculture as a part of the total economy nor does it consider the interrelationships in our economic system. A holistic approach which considers the complexity of our present economy is necessary if we are to solve any or all of our economic problems.

Our highly complex system came as a result of gradual growth. Large corporate

units have replaced numerous individual enterprises. Industry has become relatively more important than agriculture. As our economy has become more "industrial" it has created many problems which now overshadow the problem of low income to farmers. Periodic business fluctuations have developed. Also failure to use resources effectively in periods of prosperity have created untold hardships on certain sectors of the economy. Unemployment of resources is a natural characteristic of our present economic system. This unemployment or disutilization of resources has created a problem more basic than the agricultural problem. Our efforts should now be directed toward policies which will achieve more effective use of our resources including manpower, productive equipment, and natural resources. This is the holistic approach needed. This approach is the only logical method to reduce unemployment and disutilization of resources—the basic problem of our capitalistic system.

A fuller utilization of resources will result in higher levels of living for every individual and group within the economy. The agricultural problem will be reduced—if not solved—through this approach. In the development of this holistic approach, a consideration of the change which has taken place in our price system should be noted. With the growth of large-scale enterprise, a corresponding growth has taken place in rigid prices in a number of basic commodities. This has tended to prevent price adjustments and brings about tendencies toward underutilization of resources. Some reduction of these price rigidities might enhance the possibilities of fuller utilization of resources. Yet it must be understood that a reduction of price rigidities alone will not be sufficient to achieve the goal of a more effective use of our national resources.

All government fiscal policies and all economic institutions should be considered in solving the basic problem that faces us today. These include the government's budget and taxation policies; money and banking; goods prices, wage



rates and security prices; consumer incomes, and national income; international trade and finance; corporate finance and dividend policies. A whole group of government policies must be developed for the purpose of increasing the utilization of our resources throughout our whole economy. These policies must be developed into a general policy plan of action based on the whole economy. This policy plan must be highly flexible to meet a rapidly changing economy.

Such a general plan of policies will not be an easy task to put into effect. Many difficulties would undoubtedly develop. Results could not be expected for a considerable period of time. Yet the writer feels that this different approach would eventually give greater results not only to agriculture but to every other sector of our system if it were adopted in preference to either the parity approach or the forward price approach.

The likelihood of obtaining sufficient support for a new, holistic approach to all economic problems including the agricultural problem is highly questionable. We have seen that many students of the subject feel that "a positive price policy for agriculture will surely be a part of our national program for many years to come."<sup>36</sup> We cannot hope to accomplish a radical departure from this out-moded approach in a short time. This idea was expressed by one writer and was previously cited. "Although there are powerful economic arguments against the parity price concept, it has become so firmly imbedded in the thinking of farm organizations and in farm legislation that a complete departure from parity prices in postwar price policy may not be politically feasible."<sup>37</sup> Powerful lobbyist organizations are maintained in order to perpetuate the out-dated, individualistic approach to many economic problems. Groups such as the Farm

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<sup>36</sup> Simerl, op. cit., p. 895.

<sup>37</sup> Schickele, op. cit., p. 880.

bloc, the Silver Bloc, Farmers' Grange, Farmers' Union, National Association of Manufacturers, and hundreds of others are continually trying to obtain concessions for their own particular interests. Small groups of business men frequently appeal to Congress for prevention of tariff reduction on goods which directly concern them. Millions of dollars are spent annually to win public support for individual proposals. Little concern is given for the possible effects of many of these proposals on the rest of the economy. This selfish, distinctive attitude has so permeated our thinking in the past that only a very gradual change to a pluralistic attitude may be expected if at all.

If a reorientation in our thinking is to be attempted, we will have to emphasize constantly the benefits that will accrue to everyone through a holistic approach to economic problems. If they can be shown how a fuller utilization of resources will aid all groups within our economy, then the way will be easier in attempting to establish this pluralistic approach. When most of the people throughout the country have understood the change that has taken place in our capitalistic system and have realized the significance of this change, much of the individualistic philosophy exemplified by the parity doctrine will have disappeared. When people can be made to view the economy in total rather than in separation, then a fuller utilization of our resources may be possible. No reorientation in our thinking is possible if there is general lack of understanding of the structural and functional characteristics of modern capitalism. Where would be the logical place to develop an understanding of our complex economy? Certainly we could not expect much success if we tried to re-educate the people who have long since completed their formal education. Most of them have formed very definite ideas regarding our economic system and a complete change from an individualistic to a pluralistic philosophy concerning our economic system is not very probable. On the other hand, our educational institutions are filled

at present with people who have a very superficial understanding of the economic system known as modern capitalism. Herein lies a great opportunity. The development of an understanding of our present economy can take place much easier before an individual has formulated his own philosophy concerning the economy. A person in school is probably more receptive to actual facts concerning the system than he would be later in life after he has become influenced by his own limited individual experiences.

Thus we see the burden that our educational institutions must assume if we ever expect to accomplish a reorientation in our thinking from an individualistic, selfish approach to a pluralistic, social approach concerning economic problems. Before we can expect to increase the effective utilization of our resources, to improve our personal income distribution, and to establish minimum standards of health and decency, we must achieve this reorientation in our thinking. If we cannot change from the outdated, individualistic approach as indicated by the parity concept to a modern holistic approach as exemplified by a fuller utilization of resources, then we can expect low income to certain groups; superabundance to others; extreme business depressions; periods of great inflation; and untold human suffering to millions of people within the economy at all times.

As to the likelihood of obtaining support for the new approach given in this paper, it would be difficult to predict. Much will depend on our educational system. If the educators can carry out the difficult task of changing the way in which we look at economic problems—that is, to an emphasis on the whole economy—then great expectations for a solution to most of our economic problems would result.

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