

THE FARMER AND
THE TARIFF ROBBERY

FOR the farmer the tariff is precisely what that champion of the western tillers of the soil, William J. Bryan, called it—"a mockery." The theory that if the farmer "entered the charmed protection circle" his whole status would be radically improved because his fellow-citizens would then be unable to buy a few eggs from China or some thousand bushels of corn from the Argentine and many tons of milk from Canada, is a delusion and a snare. The truth is that the efficient farmer has everything to gain from low duties or free trade and ordinarily loses heavily with every tariff on the materials and implements with which he labors. Let us look at the facts:

1. *No tariff can control agricultural prices at home or abroad or produce markets.* Actually any tariff decreases the farmer's opportunity to sell abroad. It hurts the countries against which it is erected, who are or may be the farmer's potential customers and so eventually hurts the farmer as well. Whatever the tariffs on agricultural products, the farmer must sell abroad at world prices which regulate the domestic prices he receives. Actually farm income has sunk under our highest tariffs. The price of wheat was 97 cents in 1914 when it was on the free list, and 92 cents in 1923 when the levy was 30 cents.¹ A study of other farm products also shows the tariff is not the deciding figure in determining price levels.²

¹"How Much Tariff Protection for Farm Products?" by Murray R. Benedict, Carnegie Endowment for Inter. Peace (University of California Press, 1945).

²*Ibid.*

The argument that the tariff enlarges the farmer's home markets does not hold weight since only relatively few workers have been drawn to this country by new, tariff-created industries. Even if there were, the net gain to the farmer would be offset by his loss of foreign consumers who cannot pay for American crops or purchase the food they often so greatly need, if they are restricted in what they can send to us. If our farmers should really set themselves to studying this whole problem, they would soon realize that for centuries past their predecessors demonstrated marked capacity to sell their products advantageously in world markets when not restricted by man-made hindrances to trade, and that this has been a great source of strength to this country. The intelligent farmer might also ponder the fact that, when the agricultural South dominated our political life for decades prior to the Civil War, the tariff was never used purely for purposes of protection, except during the early days of the Republic, but primarily for revenue only, and this was President Cleveland's aim when he vainly sought to reduce the tariffs in his second administration.

The inquiring farmer might also seek to know why it was that during the period of the highest protection ever known, about one million migrants left the farms in 1937, a million farm families lived in slum homes, and 1.7 million farm families had cash incomes in 1936 of less than \$500 a year.³ He should also make the advocates of shutting him out of foreign markets realize that the great wealth and prosperity of the eastern states is in no inconsiderable measure due to the energy, enterprise and daring of those who pioneered in the unknown West to open up great new areas for the products of the East. It was, in some senses, like the penetration of a foreign territory. Again it should be remembered that although high prices are desirable for

³See report of the Secretary of Agriculture for 1941.

agricultural export; a continuing export market is even more essential.

2. *The American farmer must sell abroad* because he produces more food than this country needs or will be able to consume until our population becomes much larger, until we devise greater domestic prosperity and better means of distribution. Even should this come to pass, a high level of international trade would find the farmer with many customers abroad who would wish to purchase his product. By the same token, it would be symptomatic of domestic prosperity, for the farmer would have the purchasing power with which to buy industrial products from producers overseas. The element of individual taste enters increasingly into trade as prosperity grows. Furthermore, the principle of "comparative advantage"⁴ operates in the choice of products to be grown on farms from nation to nation, as well as from area to area in one country. For example, we should not be wearing leather shoes in the United States if 62 per cent of our hides and skins were not imported, although we are one of the leading cattle-breeding nations in the world. The demands on our leather supplies are so great from various industries—luggage, gloves, pocketbooks, shoes, etc.—that we need to import additional large quantities of hides to meet the demands of our high consumption. Similarly, without imports we should be gravely limited in our use of apparel wool for we now import half as much again as we grow; if we produced all the wool, hides and skins we need, we should have huge meat surpluses which we should have to destroy if we could not export them.⁵

The absolute necessity of export sales for certain farm products appears from the fact that we sell abroad nearly 60 per cent of our cotton and about 40 per cent of our

⁴See Chapter XIV, p. 150.

⁵Cf. Congressman Albert Gore of Tennessee in *Collier's Weekly*, April 24, 1943.

tobacco crops. The cessation of these foreign sales would ruin the South, for in 1935 the value of our exported cotton was \$390,000,000, and of our tobacco exports \$134,000,000. In the exceptionally prosperous years from 1925 to 1929, 38 per cent of our total agricultural crops were exported. But from 1935 to 1939 the annual value of our agricultural exports shrank to 26 per cent of our total production. Although this was partly a result of the depression, the whole situation was immeasurably aggravated because of the enactment of the Hawley-Smoot tariff. As Senator J. W. Fulbright said of one farm area of the United States:

I know that the welfare of the cotton farmers in Arkansas is, directly and inevitably dependent upon the maintenance of a free flow of international commerce. When that flow is interrupted by war as at present, or by a shortsighted tariff, like the Hawley-Smoot measure, then we become involved with huge, unmanageable surpluses and such makeshifts as subsidies and loans to cotton producers.⁶

It should also be remembered that the minute agricultural exports fall off, railroads, boat and bus lines, port facilities, gins, compresses, elevators, mills, banks, middlemen, merchants and laborers are gravely affected by the loss of business.

If we should bar all imports and thereby stop the export of our agricultural surpluses and restrict our food supplies to domestic consumption, we should then, as Henry Wallace, Francis Sayre, and many others have repeatedly pointed out, have to retire more than 40,000,000 acres of farm land and shift all persons living on them to urban areas. In the South the displacement of agricultural labor because of loss of foreign or domestic markets causes the unemployed workers to seek their living at low wages in the

⁶"Essentials of Foreign Policy," March 28, 1945, reported in *Commercial and Financial Chronicle*, April 5, 1945.

already low-wage and unorganized factories. True, modern machinery and methods of agriculture enable less people to produce more food, and compel the surplus workers to seek other employment. This is a change that steadily takes place at approximately the same rate as the development of a country. The complete disruption envisaged by cutting off all imports and exports of agricultural surpluses and restricting food supplies to domestic consumption would, however, mean regression to a feebler agrarian economy rather than progress toward fuller industrialization, and our farmers would have to destroy surplus crops or induce the Government to do as it did in the winter of 1946-47 when \$18,000,000 worth of stored potatoes were done away with, despite the starvation in numerous countries abroad.

3. *As a consumer the farmer suffers to a disproportionate degree from tariffs.* No tariff on agricultural products can benefit the farmer sufficiently to offset the higher prices he has to pay for his clothing, his household furniture, and, above all, his agricultural machinery and farm equipment. The extent to which the farmer is mulcted by the tariffs on the things he uses was never so well brought out as by Senator John J. Blaine of Wisconsin in cross-examining Joseph Grundy of Pennsylvania during the 1929 lobby investigation, undertaken by a sub-committee of the Senate Committee on the Judiciary. Senator Blaine made the following statements:

I observe that aluminum—all that is produced in America—is produced by the Aluminum Company of America, and it produces about one-third of the total world production. If the tariff on aluminum is effective the tariff tax would be \$19,000,000.

You appreciate that the products of aluminum go into the cost, the operating farm cost, of milk containers, cream containers, cream separators, and a large variety of farm implements and utensils made of aluminum products.

The farmer uses scythes, sickles, grass-hooks, and corn-knives. The annual tariff tax on that is \$240,000. They bear a tariff of 30 per cent.

Let us take another item. Shovels, spades, and scoops, a large part of the production is used upon the farm, and that tariff tax, if it is effective, is \$4,600,000 a year. They bear a rate of 30 per cent ad valorem.

Internal combustion engines. Those are gas engines. Those bear a tariff rate of 31.24 per cent. The farmer uses internal-combustion engines to a very large extent, and the tariff tax on that, if it is effective, is \$36,740,000 a year. . . .

Now we will take miscellaneous machinery, of which the farmer uses a large quantity. The tariff on that, if effective, is \$7,240,000 a year. . . . Pliers, pincers, and nippers. The tariff tax is now 60 per cent and they propose to raise it to 75 per cent. That is a tax upon the farmer. Take saddle and harness hardware used largely on the farm. The tariff tax is 47.6 per cent. That tax represents \$2,980,000 a year.

Take the little item of chains; a very common article on the farm The ad valorem equivalent on that is now 28.61 per cent and it is proposed to raise that to 38.36 per cent, which will yield a tariff tax, if effective, of \$8,640,000 a year. . . . Woven wire, galvanized wire fencing, and wire for baling, practically all of which is used on the farm. The tariff tax is 17.67 per cent. . . .⁷

In addition to the burden he bears as a member of the general consuming population and as a buyer of agricultural machinery, the farmer also suffers under tariffs as a consumer of other farmers' products. Only about 1.4 per cent of the farmers of the United States grow flaxseed, but most of the remaining 98.5 per cent are buyers of this product as used in paint, feeds and in other forms. Moreover, the farmer on the East Coast is at a further disadvantage in the purchase of feeds, having to pay transportation costs which the Middle West farmer escapes. Both of them, however, are

⁷Lobby Investigation, vol. 1, p. 155.

giving more for their feeds than they would without a tariff, and this is true of various other farm products.

4. *There is no surer route to economic inequality within America than the one the high tariff advocates urge upon the farmers.* While it is true that farmers who produce only for the domestic market obtain some immediate benefits from tariffs, these are but temporary gains, for they cannot possibly make enough profit in this way to compensate them for the increased, because of other tariffs, cost of everything they wear or use. Moreover, the bulk of the farmers, notably the exporting farmers, suffer not only from the special privileges conferred upon manufacturers, but also from the advantages given to the specially favored groups of farmers, like the sugar- and tobacco-growers. The profits of the latter are considerable, but the cost to farmers who do not grow sugar crops comes to millions of dollars, for they have to pay their share of the more than \$200,000,000 which America annually has been fined in order to keep alive the domestic sugar-growers who cannot earn their own expenses and a profit. Hence the exporting farmer ought to realize how seriously his road diverges from those who sell only in the domestic markets, and how such tariff taxes benefit the specially privileged groups which are not essential to our economic life, whose disappearance would not be felt long. As Mr. Benedict puts it, "American agriculture is not a single homogeneous industry. It is a great variety of industries, some interested in higher prices for particular commodities, others interested in lower prices for these same commodities."⁸ Incidentally, the largest single item in the budget of American workers employed at good wages is for food⁹ which demonstrates

⁸*Op. cit.*, p. 6.

⁹*Ibid.*, p. 17.

clearly the interest the farmer has in the maintenance of general prosperity.

The farmer fell easily in the late 1920's for the theory that if he were protected by tariffs he would be on an equal economic footing with the manufacturer. Unlike manufacturers, however, farmers cannot possibly combine or jointly regulate their production all over the country so as to keep prices as close to tariff ceilings as business men can, and do. But some farmers swallowed Herbert Hoover's assertion, two years after he had signed the discredited Hawley-Smoot tariff, that "the very basis of safety to American agriculture is the protective tariff on American food products." Despite Mr. Hoover's dictum, when the level of world trade sank, the American farmers, whose tariff protection had not been altered, were in such great distress that the Roosevelt Administration found it necessary to pay them subsidies for not plowing their fields, for limiting their crops and animal production, and even killed their little pigs. How can anybody, after that illustration, deny the dependence of the American farmer upon export crops? Certainly the farmer did not like the killing of his pigs or being paid by the Treasury for letting his lands lie fallow, and he shared the public confusion at seeing the piling up of crops when major shortages of certain foods existed. To reimburse farmers for not producing wealth and to apply the economics of scarcity and destroy valuable crops when millions of people were near starvation, was an anomaly so shocking as to bring the greatest discredit, not only upon the leaders of this country, but upon our whole economic system.

There can be no question as to the tremendous contribution the American farmer made to the winning of the Second World War, which surely entitles him to protection from a repetition of the collapse of the 1920's and 1930's.

He has the right to buy his necessities at competitive world prices, just as he sells his products at those prices, and to oppose all costs artificially raised in the interest of certain groups. Undoubtedly this normal and reasonable program will meet with great opposition from the hidebound protectionist politicians, from inefficient, nonessential producers, and from selfish special interests. But this is the way to sane and progressive agricultural development for the 800,000 wheat-belt farmers and farm workers, 2,700,000 cotton-belt farmers, 700,000 tobacco-growers, and 700,000 producers of hogs.

5. *The fact that there is so much hostility to tariff reduction by farmers must be attributed in large part to the effectiveness of protectionist propaganda, since all the facts, a few of which are set forth above, clearly indicate that the system of tariffs is a robbery of the farmers and not an aid to them. It is difficult today to understand the serious opposition of many farmers, especially those of the Middle West,¹⁰ to the 1945 extension of the tariff reciprocity law. At least our farmers should know that they have less to fear from low-wage Asiatic or European farmers and their laborers than European agriculture has to dread from the high-priced American farm laborer with his tractors, electric machinery, automatic milking devices and other agricultural equipment. The reason for this is that what counts in world competition is—again must it be said—cost per unit and not the individual wage.¹¹ The tariff propagandist dodges the*

¹⁰See Chapter XIII, pp. 139-40.

¹¹Another reason that farmers have tended to be protectionist-minded may be attributed to historical trends. "Traditionally the farmers of the Middle West and Plains States have tended to align themselves politically with the protectionist industrial East rather than with the cotton and tobacco farmers of the South, though their economic interests clearly lay in the opposite direction. This has been due largely to historical accident. The free-trade party of the South became also the party of the Slave States. Long after the Civil War the anti-slavery farm States continued to support the high-tariff party largely on sentimental rather than economic grounds." Cf. Benedict (*op. cit.*), p. 29.

fact that foreign employers need so many of their underpaid and underfed workers to harvest their crops that their total labor cost, in spite of the low wages paid to the individual worker, is three and one-half times that of their American competitors.

Not all farmers are as shortsighted as those who opposed the tariff reciprocity law.¹² Thus, L. S. Herron, the editor of the Nebraska *Union Farmer*, on March 6, 1943, wrote to Congressman J. J. Cochran of Missouri, that the two disastrous increases in our tariffs in 1922 and 1930 "very largely closed our markets to European goods, and European markets to our farm products. The result was a scourge of retaliatory tariffs and embargoes that intensified hunger and privation and created explosive unrest." He then made this remarkable statement: "Our tariff policy, and not our refusal to ratify a bad treaty, was our sin of isolationism."¹³ Similarly, Russell Smith of the National Farmers' Union made the enlightened statement that: "Farmers have at least as much to gain from the free flow of world trade . . . as does any other segment of our people. It is probable that after the war, as before the war, the United States will be an exporter of some farm products. . . . Any step that will promote the freer flow of goods in world trade, therefore, is bound to assist farmers in the solution of their most pressing commercial troubles."

A foreign agricultural expert has well written that: "Agriculture is truly international and its interests are dependent upon that peace and stability which free world exchange alone can foster." He also says that: "It is not so much that men first established themselves in groups, sur-

¹²Some farm representatives have even opposed the promise in some of the Hull trade agreements that our Government will not resort to excise taxes or other "invisible tariff" tricks to hinder foreign importing.

¹³Quoted by Congressman Cochran in the Congressional Record, May 7, 1943, Appendix A, p. 2224.

rounded by boundaries, and then began to think of exchange of goods with men on the other side of the boundaries, as that their desire for new lands and new and more goods took them farther afield and they maintained their connection with their kin at home until the artificial political border was introduced to cut across trade and separate the new from the old."¹⁴ With half the world in utter distress, the one group above all others which should be free to produce all it can without any restrictions or hampering legislative enactments is that composed of the American agriculturists. They are at this writing keeping millions upon millions of people alive overseas. Were they to fail in their task, world disaster would be inevitable. Some of the food our farmers produce will go as charity. But the need for these beneficences can be reduced if we make it possible for the recipients to send us whatever they are able to produce and spare. The tariffs are, therefore, a distinct and a very great obstacle to rehabilitation and to Europe's regaining that position desired by every self-respecting nation of being able to pay its own way without having to accept charity.

If it is true that we can head off the spread of Communism in Europe, according to the highly debatable Truman policy, then complete freedom of trade must be the chief hope of preventing further totalitarianism and immeasurable human suffering. Far superior to military and naval force is, certainly, the policy of keeping the ravaged and sick world going by American agricultural products, by American coal, and other essentials until a new order can arise out of the ruins.

¹⁴"Economics of Agriculture," by A. P. Van Der Post, South African Agricultural Series, vol. 15 (1937).