PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Have had agricultural policy since the beginning of this nation

On the day that this column is being written Speaker of the House John Boehner said that if there was any progress being made on the farm bill, he didn't know anything about it and would be happy with a one-month extension. Given the lack of any new farm bill proposals to analyze, we would like to step back a ways and give a longer-term perspective on agricultural policy.

The earliest agricultural policies are often called developmental policies. Developmental policies in agriculture fall into one or more of three categories to: 1) increase the supply of inputs, 2) decrease the cost of inputs, and 3) improve the quality of inputs.

Much of the early developmental policies consisted of various ways to encourage settlers to clear the land, build houses and fences and prepare the land for agricultural production. Some of the land was sold to individuals and speculators; other land was given to men as compensation for service in the American Revolution. Parcels of land in Connecticut's Western Reserve in northwest Ohio was given to people whose towns were destroyed during the American Revolution.

The most important piece of legislation for the future settlement pattern of the US was the Northwest Ordinance of 1787 which brought within its scope two earlier land ordinances and was responsible for surveying the land into six square mile townships each consisting of 36 sections of land that were one mile square or 640 acres each. The townships were then aggregated into counties.

In telling the story it must also be noted that the western expansion of European settlement of the US also involved the often forcible displacement of the original inhabitants along with wars and the quashing of most of their ancestral land claims in order to make land available to mostly European immigrants and settlers. Each new parcel of settled land brought with it additional agricultural production.

Opening up land for settlement and agricultural development increased the supply of the most fundamental input in agricultural production: land. Year by year the settlement of new land increased the agricultural production of the US.

One of the problems posed by the growing production of western lands was finding ways to get the production to eastern population centers and markets. The use of ox carts or even horse drawn wagons was a prohibitively expensive way to get grain to distant markets and so river traffic was the only financially feasible early on to transport grain over long distances. New York City, the growing financial center of the country depended mostly on river traffic along the Hudson River and the farms that were close enough to the river to make it finically feasible to deliver their grain.

To solve the growing need for access to more distant markets it was first proposed in 1807 to build a canal from Albany, New York on the Hudson River to Buffalo, New York on Lake Erie. By 1825 the canal had been constructed and was open to barge traffic greatly reducing the cost of an important input for western farmers: transportation. Later developments (1825-1845) would include the Miami and Erie Canal linking Toledo, Ohio on Lake Erie (providing access to all areas adjacent to any of the Great Lakes) to Cincinnati, Ohio on the Ohio River with direct access to the Mississippi and the port of New Orleans, Louisiana. This canal was constructed by the state of Ohio at a cost of more than $8 million

The canals were superseded by the railroads, many of which were financed by the federal government with grants of land. To build the Northern Pacific Railroad and connect the Great Lakes with Puget Sound on the Pacific Ocean, the owners were given every other section of land along the right of way to finance the railroad. The federal government kept the remaining sections to provide to settlers as homesteads. Thus the building of the western railroads accomplished two developmental tasks; it increased the amount of land in production, increasing the supply of an input, and it decreased the cost of another input, transportation.

This task of reducing the cost of transportation was continued with the development of the US highway system in 1925, state farm/ranch to market roads, and the Interstate Highway System in 1956 under President Dwight Eisenhower.

The third developmental task, increasing the quality of inputs was accomplished with the establishment of the Land Grant Colleges with the Morrill Act in 1862 and the Agricultural Experiment Stations with the passage of the Hatch Act in 1887. Together these institutions along with the Cooperative Extension Service conducted research developing public seed varieties, improving farm equipment like cream separators, and identifying tillage practices that improved the inputs that farmers used in their operations.

Providing education for rural residents was begun under the Northwest Ordinance of 1787 by setting aside one section in in each township to support public education for the children of settlers living in the town-

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ship. With the establishment of the Land Grant Colleges and the Cooperative Extension Service, the level of education available to farmers and their children was increased, improving the quality of an essential input in any farm operation—human knowledge and labor.

This brief survey brings to light just a small sample of the many developmental policies that shaped and continue to shape the nature of agricultural production in the US. Without these public developmental policies, the US agricultural sector and the nation would look quite different.

By increasing the supply of inputs, decreasing the cost of inputs, and improving the quality of inputs, developmental policy typically increased the supply of agricultural outputs—milk, field crops, fruits, vegetables, and meat—faster than the increase in population. As a result consumers have benefitted from developmental policies oriented toward farmers with lower prices.

Between the end of the Civil war and the end on the 19th century, the price of corn in the US declined steadily. In the next column, we look at the ways farmers sought to deal with the consequence of low farm-gate prices.

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