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THE AMERICAN FOOD MACHINE AND PRIVATE ENTREPRENEURSHIP

by
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As U.S. secretary of agriculture from 1971 to 1976, Dr. Earl L. Butz worked to promote American agriculture while conveying the wisdom of the market system as the most effective means of obtaining an abundance of high quality food and fiber for consumers and acceptable income for farmers. Before joining the federal government, Dr. Butz was dean of continuing education at Purdue University and vice president of the Purdue Research Foundation. He now serves as a consultant to a number of business and cooperative organizations.

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The modern American Food Machine is perhaps the greatest single source of strength undergirding the unparalleled level of American living. It is also our number one single source of foreign exchange. At the same time, it is one of the real power bases undergirding our foreign policy.

The first claim of any society upon its total production resources is to produce enough food to keep the population alive and to reproduce itself. This is so evident that it is axiomatic.

We do this in the United States with less than four percent of our labor force on farms and with perhaps no more than another 10 or 15 percent engaged in the agricultural infrastructure — making agricultural production inputs purchased by farmers, and processing and distributing food and fiber produced by farmers.

As recently as a third of a century ago, early in World War II, one worker on American farms produced enough food for himself and about nine other people. Today one farm worker produces enough for himself and some fifty other people. On our more efficient commercial family farms, one worker produces enough to feed over 100 other people.

This remarkable growth in the efficiency and productivity of American agriculture in the last generation forms the real basis for the general affluence we take for granted in America.

Even though the cost of food is a widespread source of complaint, the plain truth is that we Americans buy more food for a smaller share of our working day than ever before, and for less than any other nation.

And we eat better than our fathers did — and better than any other people, everything considered!

As a nation, we now get our food for a little less than 17 percent of our *take-home* pay. That's 17 percent of what's left *after* the bite taken by federal and state taxes. This compares with 24 percent of take-home pay required for food just a quarter century ago, when the *real* level of wages was substantially lower than it is now.

Moreover, that 17 percent of take-home pay for food now buys a lot more services and "extras" than in former years. It includes all the built-in "maid service" in our modern food supply — frozen TV dinners, oven-ready pastries and rolls, processed potatoes, delicatessen items from the supermarket,

im•pri•mis (im•pri' mīs) adv. in the first place. Middle English, from Latin *in primis*, among the first (things). . .

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and so on. And these things don't come for free.

On top of that, the 17 percent includes over one-third of our meals eaten outside the home. When you go out for dinner tonight and enjoy a nice meal that costs, let us say, \$6.00, just pause to think that in that restaurant if the waitress put an empty plate in front of you, it would probably cost \$4.00. That's for service and overhead. Yet, all this is included in the 17 percent of take-home pay we spend for food.

Because we spend only 17 percent of take-home pay for food, by definition, we keep 83 percent to spend on something else or to save.

That's why it's possible in the U.S. for well over 90 percent of our families to have a TV set, and about half to have 2 sets; for some 85 percent of our families to have an automobile, and over 40 percent to have 2 cars; for nearly all of our families to have electricity, indoor plumbing, radio, and a host of other things and services that were anything but commonplace a generation ago.

Why did this phenomenon of food abundance and economy occur here? Why not in Argentina, where in another hemisphere they have the same good soil and favorable climate we do? Why not in Russia where they have vast land resources and lots of people? Why not in Europe?

A major reason is that the United States is a nation of family farmers, in business for themselves, with their own capital invested, their own family labor involved, trying to make a little money and save some of it.

The American family farm represents entrepreneurship at its best. It is here that we find a direct relationship between personal profit (or at least the hope of profit) and investment, innovation, risk-taking, and just plain old-fashioned hard work and enterprise.

I have seen Russian farm experts come to this country and visit successful American family farms. They have taken back to Russia our large power units, our combines and our pickers, our well-bred livestock, and our high yielding crop varieties. But they don't seem to work very well on the Russian farms, because our Russian visitors never saw that invisible cement that held it all together on the American farm — the farmer and his family in business for themselves, in pursuit of a little more profit than would come to *average* performance or would result from central governmental direction.

The American farmer hasn't learned yet to punch

the clock at 40 hours. If it rains today, tomorrow he rides the tractor 14 hours, with no questions asked. And Mamma drives the truck right beside him.

He hasn't learned yet to go out to the cow stable and say, "Look bossie, I'm going to be gone over the weekend. Let's shut it off for three days."

And, most important of all, he hasn't learned yet to put two drivers in his tractor cab, like in that locomotive that goes through this town.

He can neither afford nor tolerate those slow-down tactics; he's in business for himself — trying to make a little profit. This is the strongest possible motivation for change, for new investment, for rapid adoption of new technology, for increased efficiency, and for expanded output.

How fortunate we are that this is true. How fortunate that this great power base is ours, here in the United States. We must use care not to hobble it, not to impair it, not to diminish it.

We must not panic in our national farm programs in reaction to a temporary surplus situation. Last year was the first in four years that total world grain production exceeded total world grain consumption. For three years before that, we were drawing down inventory. Last year nearly the entire world experienced relatively good growing conditions.

This is unusual. The usual is to experience a major stress area or two somewhere in the world. This year such an area apparently is in mainland China. They have contracted to purchase 11.6 million metric tons of wheat in the next year. They had to be in a serious internal food situation, or else they would not have committed so large a chunk of their precious foreign exchange for that purpose.

In the United States, in the early months of the 1977 crop year, there was widespread concern about the low moisture situation in the Corn Belt and in the Great Plains states. The potential was present for a serious yield-reducing drought right in the very breadbasket of America. Fortunately, the rains came, and 1977 production was good. But the weather margin for us last summer was a narrow one.

Much of the world's turmoil can be traced to man's quest for food and the quest for land on which to grow that food. Potential food shortages, within a quarter-century, could serve as the catalyst for man's final act of self-destruction. The way in which we view agricultural production today, the priorities the world places on food, will hold the answers.



Agricultural science and development, investment and innovation, profit and incentive can't be turned on and off, willy nilly, in response to the vagaries of weather and production from year to year. Remember, it has been less than three years since we were all stirred up about the "World Food Crisis."

We are now face-to-face with the fact that the world's number one problem is how to feed 80 percent more people in the next quarter-century. Or, to put it another way, allow for slight improvement in individual diets, and the job becomes one of learning in the next 25 years how to feed as many more people as we've learned to feed since the dawn of history.

We must find the answers to this problem at a time when we have no new western hemisphere to discover, no new prairie sods to plow, no more virgin woods in temperate climates to clear and convert into farmland. Indeed, we must double food production at a time when many nations are losing arable land to urban sprawl, highway construction, and recreation.

Demographers predict that in 25 years earth's human population will be 6.5 to 7.0 billion, compared with 4.0 billion today.

Can we feed those 7 billion people 25 years from now?

The answer is simple. Yes, we can — or they won't be here!

The question is not can we feed them, but can we feed them well. For that part of the world's population that often goes to bed hungry, can we make eating an exciting experience? Can we make eating something more than a mere exercise in sustaining life inside the human body?

Can we produce and distribute enough food to generate the sort of happiness and satisfaction that will promote peace?

The answer to all these questions is a resounding yes, if we take positive action on two important fronts:

1. Continue to emphasize agricultural research and technology, both public and private.
2. Continue and strengthen a system of individual freedom and incentives that reach each and every farmer willing to strive for them.

The first of these two will be the less difficult to attain, both here and abroad. Modern technology is

transferable; research results can cross oceans and mountains overnight. Scientific developments that have taken 20 years to perfect can be transported to other countries in months.

But the maintenance of incentive systems for the farmer is far more difficult. Yet, it is just as crucial — perhaps more crucial. This is true both here and abroad. Too often we have believed that the road to more food for the developing countries is paved only with science and technology. Yet, those techniques, when transplanted, have sometimes withered on the vine, almost before our own technicians could get out of the field.

Why? There was no real incentive for the farmer to take the risk to change. There was no prospect for profit.

Too few national governments have made the commitment to assure that changes in techniques would provide real incentives to the individual farmer.

Too many nations including our own, have an underlying, but powerful, urge to pursue a cheap food policy — making it difficult for the man on the land to reap the reward for the innovations he makes.

Consumers the world around welcome such a cheap food policy — and politicians respond, whether they're capitalist or communist. As nations become less agricultural and more urban, the incentive base for the farmer becomes less certain. It becomes more susceptible to political pressures and special interest dealings.

Even in this highly literate nation of our own, we have seen repeated attacks on the incentive system for farmers. True, these attacks are most obvious when food prices are in an upward posture, but they none the less persist today. It has only been five months since we had a well publicized "meatless dinner" in the Roosevelt Room of the White House — and that's about as close to the Oval Office as you can get without actually entering it. And this dinner was attended by, among others, the secretary of agriculture and his assistant secretary of agriculture!!

It has only been three years since we had such campaigns as the beef boycott, eat one less hamburger per week, or Meatless Tuesdays. It has only been four years since political pressures forced us into a system of federally imposed price ceilings on meats and other food products.

Most of us have forgotten that it has only been three years since the American Bakers Association whipped up a scare campaign that bread would go

to a dollar a loaf unless we imposed export controls on wheat.

It was only two years ago that the longshoremen refused to load Gulf port grain that was destined for Russia — on the pretext of keeping living costs under control — while they did some fancy maneuvering of their own to increase shipping subsidies.

Almost unnoticed by most of our people during May - August, 1977 was the official pleasure in Washington as farm prices declined four straight months in a row. The four-month decline of 15.2 percent in farm prices was heralded each month as presaging *only* modest rises in retail food prices. And that in the face of escalating farm production costs.

The drop in farm prices masked the rise in nearly every other price category and permitted Washington price watchers to interpret a slowing of the overall price gain as evidence that inflation was coming under control.

The consuming public liked this interpretation. It was consistent with their general support of a cheap food policy.

At a recent meeting I addressed, I walked through a group of young protesters carrying placards reading "Food is for people, not for profit." That prompted me to remark to my audience — "I have a message for those misguided youngsters. If there's going to be no profit in food, ultimately, there will be no food for people".

In recent weeks our government itself has taken direct action to curtail output through a requested 20 percent set aside for wheat in 1978, and a probable set aside for feed grains. We are placing our grains into a massive governmental loan and storage program, as we move inexorably toward again making the U.S. a residual supplier in the world grain markets, a primary granary for the world's warehousing, and the residual production adjuster for the world.

The sad part is that these negative signals, these arbitrary restraints, didn't happen in some distant land. They didn't happen in a dictatorial society. They didn't happen in a communist state. They didn't happen under a government dedicated to suppression of human rights. They didn't happen under a political system based almost completely on central planning.

They happened in the United States.

They happened in the world's greatest democracy.

They happened in a nation whose hallmark is freedom of choice and freedom of action.

They happened in a nation whose level of economic literacy is perhaps the highest in the world. They happened in a country where the legislative body reputedly reflects the will of the people better than in any other nation.

Now, we must ask, have we learned any lesson from taking those negative acts? Have we learned that if the United States is indeed to use its great food productive capacity, then the individual farmer must be free to produce and market his crops as he sees fit?

We must *not* dampen the incentives that have made our farmers the producers that they are. We must *not* signal to them in the language of price — the language they understand best — that we want *less*, not more.

We must *not* constrain their access to markets, both domestic and foreign by politically inspired price and production directives that create the illusion, even in the short run, that a government warehouse constitutes an enduring market.

Our nation — and indeed every nation of the world — must make the commitment to move agriculture and food to the front burner. It must be moved higher on the scale of priorities in both national policy and in capital allocation.

To do less will be to condemn hundreds of millions of people to such a substandard level of living in a few years that peace will be difficult, if not impossible.

Hungry people will not remain invisible or silent. No matter how remote their village, they now hear of the outside world on transistor radios. They see affluent travelers from North America, Europe and Japan. They now realize that a better life is indeed possible. Increasingly they will not settle for less. They see a ballet of affluence dancing all around them — and they dream of a piece of the action.

Hunger is the stuff out of which revolution is born. And revolutions, once started, have a tendency to spread. They are like a pebble dropped into the pond; there is no way of knowing where the ripple will hit the shore.

The oceans on either side of us are no insulation. Four times in my own generation, the United States has been drawn into conflict away from our shores. There is no way we can avoid it the next time.

That is why this nation's agriculture now commands such a strategic position. That is why it must be kept free and incentive-oriented. Other nations may have Petro-power, but we have Agri-power — and we have it in abundance. It is to our door that nation after nation will come for food and for the know-how to grow better food.

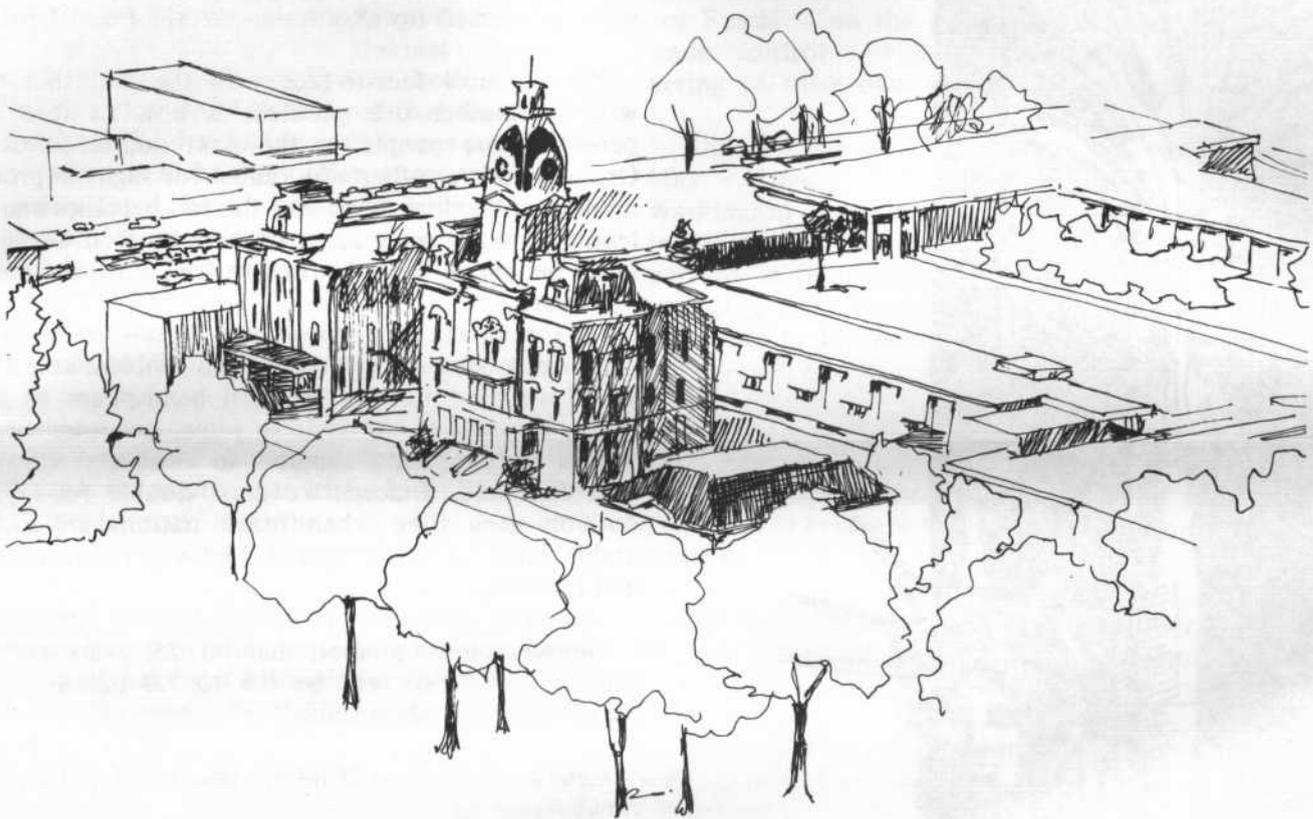
To the extent that we can respond to those needs, we will lay the foundations of peace. America must help the world learn to grow more food. We must use our Agri-power wisely and with strength.

We must not be lulled into believing that somehow we will be able to exist as an Isle of Affluence in a Sea of Human Misery. A hungry world will not allow it. We must make a stronger commitment than ever to keeping our own farmers healthy, and to helping others help themselves.

The best way to accomplish this is through a strong system of incentives for the only one who produces food — the farmer on the land.

There is a synonym for this:

The word is PROFIT.



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