

I 211 73493  
PNAEJ234

## Agricultural-Industrial Relationships

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Ideas come in packages. We wrap together a number of interrelated principles, put a silk ribbon around them, attach an identifying tag, and declare that we are possessed of knowledge.

Two of the packages we hear about so often when we discuss economic policy for a nation are agricultural policy and industrial policy. Agricultural-industrial relationships have been discussed and debated ever since the industrial revolution made its appearance in England. Agriculture and industry each acquired its coterie of partisans. For a few early years, the Physiocrats of France had glorified agriculture. The classical economists of England became so prolific with the pen because they felt a holy cause to refute the pro-agrarian Physiocrats. The classicists defended the emerging industry.

For a long while, the partisans for industry enjoyed popularity. Industry was new, even exciting. It was a source of new products to make life more comfortable, and of new wealth. Moreover, industry built cities, which were quick to proclaim themselves the fountainhead of learning and culture. By contrast, the countryside was berated as crude and uncouth.

On the other hand, some of the seamy side of urban industry became evident fairly soon. Industry massed people into crowded living, in disregard of the fact that man as an animal needs elbow room and breathing space. Industry changed the economic system. Soon the man-created trade cycle replaced the cycles of weather as cause of recurring human distress.

Arguments about the primacy of agriculture versus industry were introduced into the burgeoning new doctrines of economic development that won so much attention in years following World War II. Often, industry was lauded as pro-developmental and agriculture was seen as laggard if not actually obstructive.

We have had our private arguments within the United States also. Our farmers have long found themselves in an ambiguous position. They want industry to grow in order to create more demand for farm products, and also in order to open up opportunities for farmers and their children to enter industrial employment. But they become annoyed if they think industrial expansion tends to inflate wage rates of hired farm workers. And they are very sensitive to the performance of that part of industry which manufactures tractors, fuel, chemicals and other inputs that farmers buy. Farmers think those industrial firms are too strong economically and push prices of those items too high.

#### Ten Relationships

In more detail, the interrelationships between agriculture and industry may be summarized as follows:

1. Agriculture and industry compete for resources. The competition is keenest for labor.
2. Agriculture produces many of the raw materials industry needs.
3. Agriculture also produces the foodstuffs that are so important to industrial laborers, who are highly sensitive to the prices they must pay. Policy as to food prices is a part of the economic policy of any nation.
4. In a developing economy, where industry grows faster than agriculture, agriculture rears and educates the labor needed by the growing industry. (Agricultural leaders in the U.S. proclaim

5. In the same process of development, agriculture replaces its own resources (land and labor) with resources obtained from industry. Therefore agriculture depends on industry for resources.
6. By the same token (as 5), agriculture depends on industry for jobs for the persons replaced by labor-saving techniques and tools.
7. Agriculture relies on industry for a market for much of its output. (That is, workers in industry earn wages that they spend for food and other products of agriculture).
8. As agriculture becomes more technological, using industrially-produced inputs, it provides a sizable market for the products of industry. Hence, market-creation is reciprocal.
9. Urban industry has been a source of cultural and educational improvements to the countryside. The automobile, radio and television have provided the necessary communication.
10. Lastly, industry is organized and operates by a different set of rules than agriculture. In highly industrial nations such as the United States, it becomes a subject of national policy as to whether agriculture -- farmers and their families -- is to be permitted to retain its identity.

Wherever our agriculture has been organized in the same manner as industry, a sequence of events follows that resembles past experiences in industry. For example, our state of California has a number of very large corporation-type farms. Gradually, the workers on those farms have been organized into labor unions.

Farmers' Security Protections. Not enumerated as such yet a possible eleventh item would be the tendency to extend to agriculture -- even traditional agriculture -- certain kinds of protections that were first developed in urban industry. Mainly these are social security provisions -- for retirement

pensions, for protection against illness or injury, and others. In addition, federal programs for price support or direct income payments to farmers are essentially industrial-type assistance. Professor Kaldor of Iowa State University has called price supports the farmers' equivalent of unemployment insurance for industrial workers.

From another point of view, as agriculture adopts more technology and buys more industrially-produced inputs, it becomes more commercial. More of its costs are cash costs. Therefore the financial risk is higher. The greater risk, in turn, causes farmers to ask for price-protection or income-protection. It is a contradiction that industrialists/sometimes in the United States reprove farmers for accepting government price and income assistance, when farmers need income protection because they buy more products from industry.

Fewer Farm Laborers. When I joined the Agricultural Adjustment Administration in 1936 I worked closely with a small unit that studied agricultural-industrial relations. The economists there were concerned about the conflict of interest wherein farmers wanted to be able to hire laborers at a low wage, yet industrial labor could buy food only if it received adequate wages. Then as now, industrial wage rates affected wage rates for farm labor.

Even now, 35 years later, the conflict has not been resolved. However, it is quieter, particularly on farms other than the huge California or Texas farms that employ so many workers. Cause for the lower decibel level of the argument is that farmers now use more labor-saving equipment and do not need to hire as many wage workers. Hence they are not so sensitive to wage rates.

Pointless Contest for Primacy. My next argument will not deny that there are valid causes for conflict between agricultural and industrial policies for a nation. But it will offer no comfort to the old dispute as to which sector enjoys primacy. In my judgment, it was doubtful wisdom to "take sides"

and put so much emphasis on industry at the expense of agriculture after World War II. It would be folly to do so now. The interconnections between industry and agriculture have become much closer. Agriculture needs a growing, thriving, productive industry. In many countries, the resources agriculture gets from industry, such as chemical fertilizer, are too scarce and costly. Or, the marketing services for farm products that industry provides may be deficient in any of several respects. /Therefore a more efficient industry would help agriculture. /Contrariwise, industry cannot grow unless an adequate supply of moderately-priced food is available to its workers.

Crucial Interdependence. But if rivalries as to prestige and priority of attention are pointless or even harmful, the fact of interdependence between agriculture and industry leads to mutual interest in national economic policies. For some policies agriculture and industry will be in agreement; on some others they will be adversaries.

It is impossible to offer general statements as to the foci of either agreement or disagreement. Perhaps agriculture will be most conscious of national policies that affect the competitiveness and the rate of growth of industry. If a nation's industry is monopolistic, it will not supply machinery and fuel and other products to agriculture at minimum prices. Also, such an industry is not likely to grow fast. It may contribute to both unemployment and price inflation.

A vigorous industry with high employment adds to the demand for products of agriculture.

For some resources agriculture and industry may be in direct competition. Often, for example, it is a matter of government policy as to how much financial credit is to be made available to industry, and how much to agriculture

As urban industrial areas grow in size and population, their political influence also rises. Agriculture may see this as a threat. In my judgment, the danger is usually not as great as agricultural groups believe it to be. Nor is there any escape from having to share political power.

The relationships between agriculture and industry are a medley of co-operation and competition. Neither dare be given primacy over the other.

Rural-Urban Balance. My last comment

is not anti-industry but it is almost anti-city. There are two aspects to it, one the damage to environment that results from concentrating industry in large cities -- the pollution to rivers and lakes, for example. The second aspect concerns whether it is good to crowd so many human beings into large cities. In the U.S. we worry about the congestion and the decay of cities such as Chicago and even Washington. In much of **your world** the counterpart is the colonies of dispossessed rural families who subsist on the circumferential fringes of big cities. In our country we talk a great deal about relocating both industry and people into rural areas. We have taken little action yet.

We would like at least to slow or stop the migration from rural areas to large cities.

The ultimate goal of economic policy is to enable more people to live in security and comfort. Actions to affect where they live may be among the most important subjects with which policy makers deal.