THE FORENSIC

SERIES 13 MAY, 1927 NUMBER 1

KANSAS PRIZE DEBATE

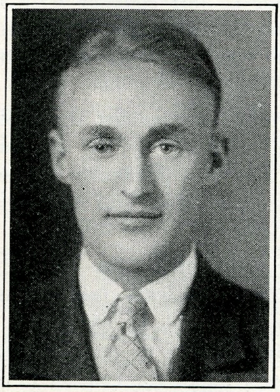
THE FORENSIC takes pleasure in printing the Bethany-College of Emporia debate on the McNary-Haugen Bill. This is one of the best arguments presented this season on this much discussed question. There were twenty-six teams entered in the Kansas provincial contest. This was the final debate of the tournament. The elimination of College of Emporia left two Bethany teams tied for the championship. It might also be mentioned that both Behany and College of Emporia had met and defeated teams from several other states, including some which won state or provincial honors.

First Affirmative, Merle Yowell, Bethany College

Honorable Judges, Worthy Opposition, Ladies and Gentlemen:

The question for debate is, "Resolved: that Congress should enact legislation embodying the principles of the McNary-Haugen Bill."

As first speaker of the affirmative, I wish to make clear in the first place our interpretation of the principles of the McNary-Haugen Bill, and the stand we are taking in regard to those principles. In the formal statement of the policy of the bill itself, the bill is described as an aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities. By its very nature the bill is an emergency measure designed to aid farmers in the time of a depression or a crisis. The fact that section six of the bill itself states definitely under what conditions the plan is to be placed in operation proves that it is not to operate at all times.



MERLE YOWELL

It is planned to place the act in operation only when there is a surplus above domestic requirements or above requirements for orderly marketing. Now there is a surplus above domestic requirements only when an excessive surplus is placed upon the market in a manner to cause a serious downward fluctuation of price. A small surplus is necessary for domestic requirements, and it is only when an excessive surplus occurs that the farmer's condition becomes serious. Thus the bill does not aim to maintain high prices artificially, but instead it provides a temporary control that will be used to eliminate the excessive downward fluctuations that occur with the existence of a large surplus. That this disorderly marketing causing a depression occurs only with the existence of a large surplus is evidenced by reference to past conditions.

The latest serious depression in corn was in 1921. The average price a bushel that year was fifty-three cents. The average price for the five year period immediately preceding was one dollar and twenty-seven cents a bushel—a difference in price of seventy-four cents a bushel.

The latest periodic depression in wheat came in 1923. The average price of wheat that year was ninety-two cents a bushel. The average price for the preceding five year period was $1.62.

Cotton in 1926 entered into a periodic depression from which it has not yet recovered. The average price of cotton for the five year period preceding was 22.4 cents a pound; and in the period of depression that price fell to twelve cents a pound—a drop of almost 50% from the average price to the market price in 1926.

These periodic depressions are the root of the farmer's troubles, bringing as they do, such disastrously low prices. For example—because of the seventy-four cent drop in the price of corn in 1921, the corn farmer received $1,850,000,000 less than he would have received at the average price. In cotton in 1926 the loss amounted to $624,000,000; and the wheat farmer lost $560,000,000—losses suffered because the depressed price was substituted for the average price.

Such are the conditions the farmer must meet. In every case these periodic fluctuations have occurred as the result of a large surplus above normal demand. There have been three of these periodic depressions since 1909 in each of the commodities considered. In each of these cases the decline in prices has been the result of an increased surplus. There has either been a large increase in surplus in this country with world conditions remaining the same, or a large surplus here and a greatly increased production in foreign countries—either event, of course, producing an excessive supply above demand.

It is with these periodic depressions that the McNary-Haugen Bill will deal. The depressions are caused by the existence of excessive surpluses, and the McNary-Haugen Bill aims primarily at the control and disposition of these surpluses. Thus it is evident that there is a need for the principles involved in this legislation.

There is a need for these principles, secondly, because this problem of surplus is permanent. The significant fact is that a surplus over a period of years is an absolute essential to existence. The elements of nature, factors over which the farmer has no control, such as adverse weather conditions, pests, and diseases, make the control of production to meet demand unwise and undesirable. If acreage should be adjusted to make production equal demand, and conditions were favorable, the result would be beneficial to the farmer and would not exercise any harm upon the nation as a whole.

But, on the other hand, if this control were exercised and weather conditions were unfavorable, the result would be disastrous to the nation as well as to the farmer. In order to prevent famines and shortage, we must have this existent surplus over a period of years.

Furthermore, even if acreage should be decreased, it would not guarantee a corresponding decrease in production. For example, the wheat crop in 1922 amounted to 61,700,000 bushels more than that of the previous year and yet acreage had been decreased by 1,400,000 acres. Likewise with the same acreage basis in corn in 1920 and 1924, the difference in yield would have amounted to 858 million bushels—a difference beyond the control of the farmer.

I have already shown that there is a recurrence of periodic depressions. These periodic depressions and the seasonal variations in yield result in low price fluctuations which can be prevented only by some agency which has the power to carry these excessive surpluses over from years of large yield to years when the production is smaller and does not equal the demand. Thus there is a need for these principles; first, because of the recurrence of periodic depressions due to excessive surpluses; and second, because the problem of the surplus is permanent.

The second major issue of the affirmative is that the proposal is sound in principle.

This plan is sound in principle because it is in conformity with our American economic system. Our American economic policy is essentially one of protectionism. This policy was formulated with the very beginning of industry in the early days of American history, and is today the ruling policy of the American system.

Industry is protected by tariffs. Manufacturers do not need to meet foreign competition in the domestic market until they raise their price above the tariff. Thus they are, after a fashion, guaranteed a certain price for their manufactured articles. Labor is protected by immigration laws which limit the number of laborers that enter competition in the labor market, and by the Adamson law which regulates the hours of labor. Railroads are protected by the Interstate Commerce Commission, a government agency that fixes the price of transportation on almost every article that enters into human consumption, and by the Esch-Cummins law which guarantees rates high enough to give them a reasonable return on their valuation. Furthermore this valuation does not always conform to actual value. May I cite the sale last December of the Chicago, Milwaukee & St. Paul railway. This railroad capitalized on its books at $705,000,000, brought the actual sale value of $321,000,000 or approximately one-half of its capitalized value. Now when we consider that the Interstate Commerce Commission authorizes rates at 5¾% on valuation, we realize that in this case the authorized rates might have amounted to 11½% on actual value. Banking has a Federal Reserve Board, a government agency that fixes the price of credit and guarantees to it the return considered necessary. Even if we consider inventors as a separate class, we have patent laws which give a monopoly in regard to prices to the holder of a patent. This is the system we have built up. It is not only a policy of protectionism; it is the American System.

This system of protectionism has also been extended to the farmer, and has aided him in solving his other problems. The Packers and Stockyards Act, the Federal Farm Loan Act, Intermediate Credits Act., the Federal Warehouse Acts, all are acts which have been passed to benefit the farmer especially in the matter of credit. But now the lack of credit is not the farmer's problem. He needs legislation that will help him meet the years of depression, and thus enable him to stand upon his own feet in normal years. The McNary-Haugen Bill will do this by a control and disposition of the surplus.

Since it has been the policy of the government to aid its industries by federal legislation when it has been proven necessary to do so, the government should also extend aid to meet this present problem by legislation. At every session of Congress, millions and tens of millions of dollars are appropriated to various groups and interests. The farmer bears a large part of this burden through taxation. Now the time has come to aid the farmer, and every precedent points to the logical step of aiding him by giving him the benefit of this protective system. The McNary-Haugen Bill will give him this benefit, for it is to agriculture what the Federal Reserve Act is to banking, and the other Federal legislation is to other industries. While the method of application may differ, yet the purpose is substantially the same—to meet a specific need when that need occurs.

In conclusion, I have proved, first, that there is a need for the principles embodied in this legislation. There is a need, first, because of the recurrence of periodic depressions due to excessive surpluses and, secondly, because the problem of the surplus is permanent. I have proved, secondly, that the plan is sound in principle. It is sound in principle because it is in conformity with our American System.

First Negative, John Young, College of Emporia

Mr. Chairman, Honorable Judges, Friends:

The affirmative this evening has attempted to show you that there is a need for some type of legislation to aid agriculture, merely by saying that there are seasonal surpluses in certain commodities. It seems to want you to believe that the existence of such surpluses, alone, constitutes a need great enough to warrant the adoption of the drastic and radical legislation it proposes. In order to justify its proposal the affirmative must show us just wherein the McNary-Haugen Bill will remedy even those surpluses.

While we of the negative neither deny nor admit a depression among the farming classes and feel that such a question is somewhat irrelevant to this debate, it is interesting to note that according to the Monthly Labor Review, Vol. 22, page 549, one dollar today will buy sixty-four cents worth of the farmers produce as compared with sixty-five cents worth of the goods of other industries. So far as purchasing power is concerned, there is a disparity of only one cent between the products of agriculture and those of other industries, and, friends, we do not believe that so small a disparity constitutes a demand for the radical change the affirmative desires. Moreover, we must realize that there has been a noticeable increase in the farm income every year since 1920. In 1925 that increase was 7% over the income of 1924, or an increase from eleven billion to twelve billion dollars. So we must know that the condition of agriculture is steadily becoming better. The affirmative has based its argument concerning the need on the part of agriculture wholly upon its statement that there are seasonal fluctuations in the price of farm commodities. But it has not shown you that the McNary-Haugen Bill will remedy even this situation which it maintains is the cause of the farmer's trouble.

We find however, after examining the facts, that it is exportable surpluses that are causing most of the trouble. Let us take an example which our opponents themselves have mentioned—cotton. In 1924 cotton sold for twenty-four cents a pound, in 1925 cotton sold for nineteen cents and at the present time for only eleven cents, or one-half what is considered a fair price. If we eliminate cotton we find that the farmer is getting a 7% interest rate on his investments on all other commodities—as high a rate as almost any other industry receives. The Cotton Growers Exchange stands behind these statements. So we must realize that the cotton situation is the primary cause of the farmer's depression, if there is a depression. Why? Because the exportable surplus of cotton is not being disposed of nor is the growth of this surplus inhibited. It has increased from one and one-half million to six million bales in the last three years. The affirmative must show us how its plan will solve the cotton problem which is the primary cause of any need on the part of the farmer, or its plan is not practical.

But it is the object of the negative this evening to attack the proposal made by the affirmative. This plan attempts to work in exact contrast with the natural economic laws now operating which must govern all production and all conditions and situations.

We find that this is truly a price raising measure. The affirmative will have to admit that we must raise prices if we are to help the farmer. But if we raise prices, we necessarily raise the standard of living in America which is already higher than in other countries. There is a danger of incurring the disapproval of these other countries. If we give the farmer aid, the other industries, in turn, will ask for more aid. Then the farmers again will need help, and so we have the never ending process—the vicious circle of higher prices. We must realize also that the other industries can offset the effect of higher farm products upon them by raising their own wages, and then again the farmer will be in almost the same circumstance he is in at the present. The farmers, who constitute only one-third of the total population, will have to bear the whole expense of all advantages gained. If he is in need it is a need of some help from other classes. It will do him no good merely to change his money from one pocket to another.

This is also a price fixing bill. Whether that is stated directly in the bill or not, is irrelevant, for it is at least inferred. If the board must tell the cooperatives or other agencies working under it when to buy and sell and where, in order to gain the advantages claimed, it must necessarily set a price and consequently be a price fixing measure. Such operation is in direct contrast with the economic law of supply and demand—a variable law which fixes a variable price. In order to remain on a par with the other classes, the farmer must receive a price which can vary in accordance with that received by other workers. Such legislation would be dangerous for it gives no leeway for the law of supply and demand to set the price. I would like to refer you to Marshall of the University of Wisconsin, and Ely, our greatest national economist, in regard to this fact.

Many features of this proposal are absolutely impracticable and impossible. The equalization fee is one of these features. In the first place it would be extremely difficult and probably impossible to estimate a crop before it has been produced. According to President Coolidge, and other authorities on the question, estimations under the McNary-Haugen Bill could, at best, be no more exact than they have been under the Department of Agriculture, which has repeatedly missed the exact figures. The Department of Agriculture estimates have varied in spring wheat from seventy-eight million bushels too small, to sixty-five million too large; in winter wheat from one hundred twenty-six million too small, to one hundred forty million, too large; in corn from four hundred thirty million bushels too small, to six hundred fifty-seven millions, too large; and in cotton, the product which is now causing the most trouble, from three million bales below the actual production, to three million bales over it. In the second place the equalization fee would be unequally distributed. Let us consider corn as an example. Eighty-five percent of the total corn production is fed on the farm, and never reaches the primary markets where this fee is to be collected. Then the other fifteen percent, upon which the fee is collected, would have to bear the costs of the advantages gained on the whole crop. The same is true in the case of other products. Thirdly, this equalization fee would be extremely difficult to collect. In the case of corn, which has already been mentioned, it would be almost impossible to collect a fair equalization fee from fifteen percent of the crop which would bear the expense of higher prices for the whole. The methods of collecting would be exceedingly costly as well as very inefficient. The Department of Agriculture says that only fifty percent of the basic commodities ever reach the primary markets. This fifty percent would bear the cost of all advantages gained by all of the crops. According to President Coolidge this fee would have to be collected upon sixteen billion units and would not only be far too expensive, but practically impossible. So the equalization fee is an impracticable provision.

And now, friends, we come to the greatest objection to the McNary-Haugen bill. Since the exportable surplus is the most important cause of the condition of agriculture, we would be dealing a death blow to farmers by adopting any measures which might tend to increase that surplus. This, friends, is the issue of this debate. This bill does not prohibit the increase in surplus which would naturally result in any case where the producer is guaranteed a price for all he produces. Moreover the bill does not provide any method of reducing the surplus which now exists. During the last five years, which have been a period of depression in cotton, as the affirmative claim, the cotton acreage has increased seventeen million acres. There was a four million bale surplus in 1925, and the 1926 crop has been estimated as two million bales greater than that of 1925. If we had an increased production under a depression, what would happen under high prices and guaranteed profits? During the high price period of the war, the wheat acreage increased to seventy-five million acres. What could we expect under high prices again, but a like increase? Under continued high or even fair prices the production would at least not be decreased and we know that too great a surplus in certain commodities already exists. If the farmer is in a period of depression, he will do everything in his power to get out of it, and if he knows he can get a fair price for all he can produce, he will expand his production to its limit, in an effort to make up for these years of depression, and to pay off his debts. Such is only characteristic of human nature. The economic law which states that increased price is followed by increased production, always has, and always will work. The farmer would be a fool if he did not take the advantage of the opportunity created by such legislation. My colleague will give you added proof of this contention later in the debate.

We must realize also that this would be discriminatory legislation, for it operates only in regard to those commodities termed "basic" in the statement of the bill. It overlooks dairy products of which we export three hundren seventy million pounds yearly. It does not provide for beef, poultry, hay, legumes, or for barley, of which we have a yearly surplus amounting to twenty-five million dollars, or wool, with a yearly export of two hundred sixty-nine million pounds. In Kansas in the last year, there was produced only two hundred fifty-seven million dollars worth of those commodities called basic, as compared with two hundred sixty-seven million dollars worth of those not included in the bill. Such legislation would ignore two-thirds of the farming class, and because of this discrimination would penalize the diversified farmer who tries to raise a variety of products, rather than only one "basic" commodity.

Friends, I have shown you that the adoption of legislation embodying the principles of the McNary-Haugen bill would not be wise because those principles work in direct contrast to the natural economic laws which must govern agricultural production. The bill is a vicious one for several reasons: it is a price raising and a price fixing measure, as well as discriminatory legislation. Moreover, there are many impractical and unworkable features in the bill. The equalization fee is impracticable because of the difficulty in estimating the crops to determine the amount of the fee, because it would be unequally distributed, and because it would be almost impossible as well as extremely expensive to collect. We of the negative do not believe there is a great enough need to warrant the adoption of such drastic and radical measures, and we believe that these principles would increase rather than decrease the surplus which is causing whatever depression may exist. Our opponents must show us how their plan can function in regard to cotton before we can believe it plausible, for, as I have shown you, cotton is the greatest cause of the farmers' trouble. So far in this debate, they have not done so. For these reasons, we contend that Congress should not adopt legislation embodying the principles of the McNary-Haugen bill. I thank you.

SECOND AFFIRMATIVE, ALVIN R. YORDY, BETHANY COLLEGE

Mr. Chairman, Honorable Judges, Worthy Opponents and Friends:

Mr. Young, who has just taken his seat, has tried to show you that there is no need for the principles of the McNary-Haugen Bill. This he attempted to show by telling you that the purchasing power of agricultural commodities is getting back to an equality with the purchasing power of industrial commodities. But the affirmative has shown clearly that the McNary-Haugen Bill is an emergency measure to operate only when there is a depression in agriculture, as in cotton at the present time. We also showed that a surplus causes a depression. Thus when a depression exists surely a need exists. It is then that this bill goes into operation. It is true, as our opponents said, that agriculture is getting back on its feet. Industry got back on its feet, after the war depression, more quickly than agriculture. But this bill is not to deal with the after-war depression; it is to deal with the need for aid which comes when a depression exists due to a surplus. It is true that the difference between the index figures for agriculture as a whole and that of industry is decreasing, but the difference in the index number for cotton and that of industry is 58 points, while that of all the grains is 20 points. What causes this great difference in cotton? The eight million bale surplus. Thus there is a need today in cotton because of a surplus, thus the McNary-Haugen Bill would go into operation because of the need in this particular commodity.


ALVIN YORDY

Remember that this bill will not raise prices to an exhorbitant level but will give the farmer a more stablized average price level. Excessive fluctuations downward in prices caused by surpluses will be eliminated since surpluses will be marketed in an orderly manner under this plan.

The gentlemen of the opposition have yet to prove that every year since the war the farmer is receiving more money for his products, for according to the Department of Agriculture in the February 1927 report the farmers received one million dollars less for their products in 1926 than in 1925. This decline is chiefly due to the great depression in cotton caused by a surplus. Again this shows evidence for the need of this emergency measure.

The opposition insists that this bill is a price fixing measure, eliminating the law of supply and demand. But the government in no way fixes the price of agricultural commodities. The government, through designated farmers' agencies, takes over the surplus and disposes of it in the best possible manner. The law of supply and demand will then operate as it always has. But if prices should be fixed definitely then surely Professor Ely's statement would be true that this measure would affect the law of supply and demand. But since nowhere in this bill is mention made of a fixed price, how can this law be affected?

The principles of the McNary-Haugen Bill would be practicable in actual operation. Secretary Jardine says in his 1925 report to the President, that it is a well-known fact that surpluses exercise a depressing effect upon prices altogether dis-proportionate to their amount. This depressing effect is seen in the present cotton situation when a 10% increase in yield brought with it a 35% decrease in price. Or take the 1924 and 1925 corn crop in Iowa. In 1925 Iowa produced one hundred seventy-five million bushels more of corn than in 1924, yet the farmers received twenty million dollars less for the larger crop. Surpluses cause excessive fluctuations in price. Wheat in 1921 fluctuated from one dollar in November to two dollars and six cents in January. Corn in 1924 fluctuated from seventy-one cents to one dollar and thirty-five cents. The question arises would the McNary-Haugen Bill reduce this fluctuation and depression in price?

Today when a surplus exists it is thrown on the market. The result is a sharp decline in prices. After the majority of this surplus is in their hands, the middlemen hold this commodity until the demand is increased. Thus the commodity is sold to the consumer for a regular price. That is, cotton goods are not lower in price, materially, because of the low price of cotton today, but sell for the same price as they did in 1925. Some one must be reaping great profits and benefits, then, by gathering this cheap surplus and carrying it over to lean years. Why cannot the farmer do this? He can under the principles of the McNary-Haugen Bill, for a major principle of the bill is to aid in the orderly marketing of the surplus. Instead of being thrown on the market, causing an excessive decline in price, the surplus will be stored and marketed in an orderly manner. The bill states that this will enable producers "to stabilize their markets against excessive fluctuations." Through this minimizing of speculation and elimination of waste the farmer will then receive a more stablized price. The Department of Agriculture found that 64% of the difference between the price received by the producer and that paid by the consumer for potatoes was absorbed in the movement through wholesale, jobbing and retail agencies. Since the McNary-Haugen Bill provides for orderly marketing the Federal Farm Board, through its designated agencies, will give the farmer the benefits of these widespread differences in consumer's and producer's prices.

Now let us put the bill in operation dealing with specific commodities and see its practicability. There are only three types of commodities. One in which there is a seasonal domestic surplus. Corn is such a commodity. The second type is one of which more is consumed on the domestic market than exported. Wheat is such an one. Then there is the type in which more is exported than consumed at home as is the case with cotton.

First, let us take corn. Since we export practically no corn, the problem in regard to this commodity is not exportable surplus. When a surplus exists it must be consumed at home. Since the McNary-Haugen Bill provides for orderly marketing, the price of corn will be kept from sinking to low levels by storing the surplus. Livestock raisers will be informed of the stored surplus and can plan their production of livestock, for they will not fear a lack of feed. This will in turn stabilize the market for corn and provide a future market for the stored surplus. This storage of the surplus will also act as a check against increased acreage. Dr. Kilgore, Chairman of American Cotton Growers' Exchange, says: "The most powerful factor in influencing production would be the price at which the surplus already stored and in the hands of the selected operating agencies would be turned back on the market."

Next, let us apply the principles of this bill to wheat. According to the statistics of the Department of Agriculture we export about one-third of our wheat. The domestic price would be stabilized through orderly marketing as with corn. The exportable surplus taken from the domestic market would also stabilize the domestic price. A feature that now characterizes the sale of exportable wheat is the dumping of the surplus on the world market at a low level while the world market is flooded with wheat from other countries. The Farm Board will have full knowledge of agricultural and economic conditions thruout the world and thus will know when best to place the surplus on the world market to obtain the highest price.

If there should be a loss on the surplus sold abroad, this loss would be borne by the producers. This is only fair, for the farmers benefit from the stabilized price and in turn help bear the cost of obtaining these stabilized prices. Thus the government is losing no money and assuming no risk, but only making it possible for the farmers to control their surplus in an efficient and economical manner.

Now let us consider the third typical commodity, cotton. The United States controls 70% of the world's export trade in cotton. Since the Farm Board can, by orderly marketing through its agencies, store cotton and prevent the world market from being flooded the entire world price will be stabilized. When a surplus exists in cotton the surplus will be kept from the market and naturally the price will remain at a normal level. Then when there is a shortage of cotton in the world market this stored surplus can be placed on the market and again the price will remain at a normal level. The stored surplus will be a determining factor in the amount of acreage for the ensuing years. The Farm Board, because of its study of world conditions and markets, and home supply will be much more efficient than our present unorganized condition in the South.

In summary, the Affirmative has shown, first, the need for the principles of the McNary-Haugen Bill, because depressions are caused by surpluses and because these depressions recur permanently; and secondly, that the principles of the McNary-Haugen Bill are in accordance with our American policy of protectionism since the government has placed other industries on a stabilized basis; and, lastly, that the principles of the bill would be practicable in actual operation as shown in the three typical commodities—corn, wheat and cotton, because through orderly marketing and thru the disposition of the surplus, the normal price levels will be stabilized.

Second Negative, Donald Pierson, College of Emporia

Mr. Chairman, Friends:

This McNary-Haugen Bill threatens to drive us into the wee hours of the morning with still little possibility of a settlement. (This debate began at 10:00 P. M.) As it is the part of the negative to meet the case as presented by the affirmative, we shall waste no time in clashing immediately and directly with our opponents' argument.

In order to make the proposed legislation practicable, there must exist a definite need. The affirmative must show the farmer to be in a seriously depressed condition. It must also show this condition to be so urgent that government aid is imperative. Otherwise their plan is unnecessary. As evidence of this need the affirmative has quoted only one set of figures, viz.: that the farmers' net income had been reduced to one million dollars during the past year. This, we submit, is insufficient proof especially in face of the fact that, according to the Monthly Labor Review, Vol. 22, p. 549, one dollar at present will purchase sixty-four cents of industry's goods, or sixty-five cents of the farmer's products. Or in other words, there exists only *one-cent* disparity. We cannot deny this slight disparity, but we do call attention to the fact that it is not sufficient to warrant such drastic legislation as the McNary-Haugen Bill. The affirmative must establish a definite need.

The suggested remedy assumes the surplus to be responsible for this slight disparity. But, according to the Department of Agriculture, there are numerous other causes, which this plan in no way even proposes to remedy. Still, for the sake of argument, we will meet the affirmative upon their ground. The surplus is doubtless partly responsible. It is then up to the affirmative to show that this measure will actually handle the surplus, and that it will do so in an efficient and profitable manner.

Now if the bill is to operate at all, it must operate in certain commodities. Surely the affirmative will agree that the basic commodities mentioned in the last draft before Congress must be considered when the practicability of this legislation is called into question. Let us then take the four leading commodities mentioned and point out wherein the plan meets difficulty and evidences its impracticability.

Let us note hogs, for instance. The affirmative maintains that the plan would become operative only in an emergency. But no emergency exists here. The price has been comparatively high for several years. According to the Monthly Labor Review, Vol. 23, p. 1111 (1926), hogs have ranged during these years from 148 to 162 points, while all other commodities have averaged 150.5; or in other words, hogs have been from 2.5 below to 11.5 above the average of all commodities. Moreover, as Prof. Hibbard, Agricultural Economist at the University of Wisconsin, points out, we export hogs not as *hogs* but as *pork* and *pork products*. If the Bill then becomes operative in hogs, a method of marketing is imperative. The government must then either build huge packing plants to use periodically to convert hogs into exportable products or else enter into contract with the packers who are without exception hostile to the plan. In addition, there is unjust discrimination against the hog farmer compelled to deal in the corn market. For, according to the most reliable estimates, 85% of the corn is fed to livestock. And if the Bill be operative in corn, the man who feeds hogs must buy at an increased price. (For an increased price is inevitable. The affirmative maintains that a *high* price would not be set, rather a *stabilized* price. But even to stabilize a price it is necessary to raise it, and the affirmative cannot get around the fact that their plan involves raised prices.) Thus the hog farmer pays two equalization fees, one indirectly on corn, the other directly on hogs. And this is manifestly unjust discrimination.

Let us further consider corn. If the plan becomes operative only in emergencies as the affirmative maintains, corn would scarce ever be affected. For, according to Secretary Jardine, an emergency rarely exists. But the gentlemen of the affirmative say that the plan would operate to control *seasonal surpluses*. Very well, if you are going to store corn, you will face a serious storage problem. For, according to the Iowa and Illinois Experiment stations, one hundred bushels stored in November shrink to eighty-three bushels by the following July. This shrinkage means a decided loss, and the loss must be paid for by increased levies on the equalization fee.

Let us now note wheat. Here again there is no necessity as far as wheat is concerned. For, according to the Monthly Labor Review, wheat is listed at 161.5 points. Or, in other words, wheat is standing 11.5 points above. Now, according to the affirmative, one-third of our production is exportable surplus, and the plan of the affirmative proposes a loss be taken on such surplus and supposedly offset by the gain in increased price on the domestic supply. But, according to Representative Newton quoted in the Congress Record for May 7, 1926, p. 8837, the United States Grain Corporation operating during the War found it necessary in order to handle adequately the surplus to handle not only the exportable surplus but 15% in addition. Then if 33% is exportable (as maintained by the affirmative), the government under the McNary-Haugen Bill must dump 48% of the yearly production of wheat on the foreign market *at a loss*. Can the affirmative guarantee that this loss will not eat up any possible gain on the other half of the wheat? This dumping must compete with Argentine which last year poured into the world market one hundred thirty-five million bushels—a figure nearly that of our own export—with Russia and Roumania which have doubled their production since the War, and with Canada which is coming rapidly into the world market. The larger the foreign supply, the lower the foreign price, and the greater the loss to be borne by the equalization fee.

Now how about cotton? According to the Department of Agriculture, we have on hand a vicious surplus of at least five or six million bales. The market is glutted. And it is this depression in cotton which is responsible for the slight disparity between the average price of the farmer's products and of industry's goods. The affirmative must show how its plan can work in cotton. It must show that it is practicable to store up cotton; and just how with the limited amount of money at the disposal of the board, it can handle the huge cotton market adequately. If this Bill will not work, it is obviously bad business to adopt its principles, and hence the plan is neither sane nor practicable.

According to Professor Young, Harvard economist, 67.5% of our cotton is exported, and under this plan sustains a loss. The loss on two-thirds of the crop would more than consume any possible profits on the other one-third.

Now, what has caused the present cotton situation? The cause is not far to seek. Cotton prices skyrocketed during and immediately following the War. And acreage followed by leaps and bounds until it reached the unprecedented figure of forty-six million acres, or 11.8 million more than the average acreage for the last decade. And this fact uncovers the most serious objection to the McNary-Haugen plan, vis.: that the increased price which the affirmative cannot deny is involved in the plan will stimulate production; and increased production will magnify the surplus, increase rather than solve the problem, and hence defeat the very purpose for which the Bill is intended. Call it raised price, guaranteed price, stable price—the result is inevitably the same. It is only human nature to invest more heavily where profits are guaranteed. And, according to Professor Young, there is vast room for increased acreage. He points out a twenty-two million decrease since the War in wheat acreage, all the land of which is available for further production under the virile stimulus of a guaranteed profit. Overproduction is the chief foe of the McNary-Haugen Bill.

First Negative Rebuttal, Donald Pierson, College of Emporia

Mr. Chairman, Friends:

The affirmative has yet to establish four vital contentions: first, it must advance adequate evidence to show a need; second, it must show that such conditions as do exist cannot be remedied without government aid; third, it must show that the enormous surplus in cotton can be adequately and profitably handled; and fourth, it must show that the guaranteed profit involved will not result in over-production.

Let us take up the argumenc of the affimative as presented point by point. Its presentation of the manner of orderly marketing by which the Bill proposes to work was very fine. It then points out that this legislation is in keeping with sound American principles—that it is in conformity to our policy of protectionism and analogous to the method by which industry controls its production. Now we admit at once that it is all right for the government to come to the aid of the farmer. The government has aided agriculture in the past. But the essential point is that the affirmative must show that the farmer cannot remedy such slight difficulties as exist without the aid of the government—that government assistance is imperative. It must show that this aid will react to the farmer's benefit—that this plan will not result in over-production. But the most reliable figures available indicate the opposite. You then face the paradox in which if this Bill will actually work, its guaranteed price will defeat the very purpose of the Bill. The over-production argument is no mere statement of a debater on the platform. No less an authority than the American Institute of Economists in a report published in 1924 and covering a survey of agricultural prices during the last half century (which, we believe, you will consider a reasonable period of time), states in these very words, "In *every* case of an increased price there followed a corresponding increased production." This contention is further borne out by the fact that, according to Lyon and Rassieur of the University of Washington, thru figures compiled from the records of the Chicago Board of Trade, a comparison of the price of spring wheat over a period of 13 months preceding seeding with the corresponding acreage, showed in the twenty-six years from 1896 to 1920 a direct acreage response to price movement in twenty-two of the twenty-six years. Moreover, according to the 1927 World Almanac, cotton acreage during the years 1910 to 1926 responded directly to price increase in every year save two. This is particularly evident in the years of 1922 with its three million acre increase, 1923 with its four million acre increase in the very face of the fact as Jardine points out that "the cotton farmer was warned continuously not to over-produce." President Coolidge points out that "seventeen million acres of forest and pasture land were given over to cotton during the War due to increased prices." In Brazil a similar plan in coffee found it necessary to absolutely prohibit the planting of coffee trees.

Then if you increase production, you increase the surplus, and you increase dumping on the foreign market. This dumping may result in two serious conditions: either foreign countries which have their own agriculture to protect may counter with embargoes similar to the Anti-Dumping Act passed by our Congress in 1921; or the glutted foreign market may knock down the foreign price, the foreign manufacturer will be enabled to purchase more cheaply and with the added advantage of cheap labor, be able to compete at a disadvantage to the domestic manufacturer who buys on a high market. Hence the plan eventuates in subsidizing foreign competition.

Now the affirmative has consistently built its case on the possibility of a stabilized price. But a stabilized price is impossible. It has failed to taken into consideration the fact that every bushel of wheat to be exported must pass thru either the Chicago or the New York Board of Trade. And, according to Senate Document No. 135, "large-scale buying and selling operations (in wheat futures in Chicago) completely disrupted the market and resulted in abnormal fluctuations, which were felt in every other large grain market in the world." For instance, one trader handling over three million bushels of wheat on March 4, that day caused a price drop of seven and one-eight cents; on March 6, one trader's manipulation forced a decline of eleven and one-fourth cents; on March 13, large deals knocked down the market fourteen and three-fourths cents; and again on March 17, three men purchasing an aggregate of over ten million bushels of wheat, prostrated the market by an additional eleven and three-eighths cents drop. In other words, a few men can manipulate prices to affect the whole world situation. And therefore, *a stabilized price is an impossibility.* This vital fact, should the affirmative fail to meet it, is fatal to its case. Unless driven back, this wedge must split its argument. I thank you.

First Affirmative Rebuttal, Merle Yowell, Bethany College

Mr. Chairman, Honorable Judges, Worthy Opposition, Ladies and Gentlemen:

Throughout this debate this evening, the opposition has repeatedly contended that agriculture as a whole is not in dire straits and thus there is no need for this McNary-Haugen Bill. We feel that it is not necessary to stress need. The McNary-Haugen Bill is an emergency measure, and, of course, would only be placed in operation when a need does exist. The opposition has shown that in cotton there is a depression, due, as they themselves admit, to the existence of an excessive surplus production. Now, because of that excessive surplus, a depression has resulted, consequently there is a need in that situation. It is in such instances that the McNary-Haugen Bill would be placed in operation—only when a need does exist.

The opposition has argued, secondly, that the plan is economically unsound, first because an increased cost of living would result. This argument is based entirely on the assumption that the bill is a price-raising measure. To the contrary, we have shown that the operation of this bill would not result in increased prices. The plan would be placed in operation only when an excessive surplus exists. The result would be to eliminate the excessive downward fluctuation that would otherwise occur. Thus we would have not an increased price, but instead a stabilized average price level.

The third issue of the opposition was that the bill would be impracticable, first, because of difficulties in connection with the equalization fee. The opposition have argued that the fee would be hard to collect, but we, of the affirmative, are willing to credit our government with the ability to cope with this situation. When we consider the success of the Income Tax and the Soldier's Bonus, either of them a much more intricate problem than the equalization fee would present, we recognize that the collection of the fee does not present an impossible situation.

The opposition has argued that it would be impracticable also, because it would be impossible to estimate the amount of the surplus. Let us consider how the plan would work. It, at least, is always possible to foresee a surplus. Now, when the Farm Board, who would have an organized knowledge of the entire situation, would foresee a surplus which would depress prices, arrangements would be made with existing marketing agencies to buy up those surpluses at the prevailing market prices before the surplus had had a chance to cause a depressed condition. Now, if for some reason, the surplus did not occur as expected, the plan would not go into operation, because a depressed condition would not result. Thus there would be no difficulty of administration on that point.

From the foregoing explanation of the bill, we may argue also, contrary to the contention of the opposition, that the bill is not a price fixing measure. The board does not set a fixed and definite price. These designated marketing agencies buy up the surplus as it comes upon the market at the prevailing market price before the surplus causes a downward fluctuation. They buy at the market price. The laws of supply and demand operate there, and thus they would have their effect under this plan.

The opposition have argued further that the plan would be impracticable because overproduction would result. This argument is based essentially upon the assumption that prices would be raised. I have shown previously why prices would not be increased under this plan. With high prices, production naturally would increase. That is why there was an increase of seventeen million acres in cotton between the years 1920 and 1926—the producers were attempting to maintain a war-time level of prices. The opposition cited the 23 million acres increase in wheat. This increase was due in the main to a shifting of acreage from corn to wheat—twenty-two million acres were shifted from corn production to wheat production during the war and back again since the war. This shifting was due to higher war prices although there were other contributing factors, such as patriotism and war-time feeling. Under the McNary-Haugen Bill even this situation would not be affected. There would be no incentive to shift production because both crop prices would be stabilized. Furthermore, let me repeat, these cases of overproduction were caused by an increased level of prices—a situation that will not occur under the McNary-Haugen Bill.

Again, there would be no tendency to overproduce because the equalization fee would be a valid check against the tendency. It would constitute a check identical to the check that exists today. Today, if the farmer overproduces, he knows that low prices will result and that he must go through a period of depression. Under the McNary-Haugen Bill, if the farmer would overproduce, the equalization fees would grow so large that it would cause the same result—low net prices. Thus, in the first place, there would be no incentive to overproduction, and, in the second place, a check is provided