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# The AAA and the Politics of Agriculture: Agricultural Policy Formulation in the Fall of 1933

by

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# *The AAA and the Politics of Agriculture: Agricultural Policy Formulation in the Fall of 1933*

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The first year was a critical period in the history of the Agricultural Adjustment Administration. In addition to the arduous and novel task of developing adjustment programs for the different agricultural commodities, the agency was confronted with two other problems which had a significant effect on its future. One was a power struggle within the AAA between those who advocated production control as the principal means of solving the farm problem, and those who advocated use of the marketing agreement and licensing provisions as the chief instruments. That dispute was solved by the resignation, in December 1933, of George Peek, first administrator of the AAA and principal advocate of the latter approach. The second major problem was a result of the difficulty of providing immediate relief for farmers, who had suffered through a long and trying period. In general the normal programs designed to increase the farmers' income were unable to provide the immediate relief that farmers demanded. The lag produced a series of farm uprisings designed to put pressure on the administration to provide more speedy relief. Frequently the demands involved two proposals which had a strong appeal to American farmers—inflation and direct price fixing. Also involved was a growing dissatisfaction with the NRA, which most farmers thought was moving too rapidly, and consequently with the AAA, which many farmers thought had failed to keep pace with its industrial counterpart. It is the second problem—the effect of pressure from without on agricultural policy formulation—which concerns us here.

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The problem was aggravated by the fact that the act "to relieve the existing national economic emergency by increasing agricultural purchasing power . . . and for other purposes" which became law on May 12, 1933, was a compromise measure. While there was agreement on the end to be achieved—the restoration of farm prices to what subsequently became known as the parity level—the act authorized several means of accomplishing that objective, and Congress rejected another by a narrow margin.[1]

[1] *United States Statutes at Large,* XLVIII, 31–54. The title of the act is used to refer to the entire act (or at least titles I and III), and not simply to the agricultural adjustment section, which was Title I. That title authorized the Secretary of Agriculture to limit production by leasing acreage, by exchanging existing stocks of government-owned cotton for agreements to limit future output of that crop, or by "other voluntary methods." It also authorized the formulation of marketing agreements to control the marketing in interstate or foreign commerce of agricultural commodities and permitted the Secretary to require a license for anyone handling any agricultural or competing commodity in interstate commerce. The Secretary was given virtually unlimited power to prescribe marketing conditions (interpreted in the broadest sense to include regulation of prices, supplies, trade practices, etc.) and to force compliance through the licensing provision. All of these powers could be used separately or jointly, at the Secretary's discretion, to achieve the purposes of the act, except that the production control provisions could be applied only to a specified list of "basic" commodities. But the equivalent of production control could be and was achieved for other commodities through the marketing agreement provision. Title III authorized the President to inflate the currency, at his discretion, using one or more of the different methods which the act permitted. That title was clearly intended as a means of providing relief for agriculture. Another method of aiding the farmer, direct price fixing of agricultural commodities to guarantee the farmer "cost of production," was rejected by a narrow margin after a prolonged battle. "Cost of production" was largely the proposal of the Farmers' Union led by John Simpson. In fact Simpson's "cost of production" measure had little relationship to the actual cost of producing a commodity. Rather it would have fixed prices at a level which would insure the farmer an adequate return on his investment and a good life. Interest on his investment, adequate dental and medical care for his family, education (including college) for the farmer's children, recreation, etc., would

Considering the wide diversity of views on the subject of farm relief and the need for flexibility in approach, writing a broad statute represented sound political judgment and good tactics. In practice, however, it simply led to delay in reaching a decision as to which of the several alternatives would be used, and transferred the controversy from the halls of Congress to the Department of Agriculture and the White House. The approach was clarified, insofar as the internal conflict was concerned, by Peek's resignation. Equally significant in determining the course the AAA would follow was the series of decisions, reflecting a combination of compromise and adherence to previous assumptions, that emerged from the political conflict in the fall of 1933.

The enactment of the bill was accompanied by a sharp increase in the prices of farm commodities. The advance, which extended from mid-March to mid-July, was largely speculative in nature, and was led by dramatic increases in the prices of wheat and cotton. But nearly all farm commodities shared in the improvement. The general index of farm prices rose from 50 (1909–1914=100) in March to 76 in July, in what a government economist described as "one of the fastest [rates of increase] in the last 40 years, being exceeded in rate only by the advance in the spring of 1917."[2] A private research agency noted that June farm income was 37% above the level for the corresponding month in 1932, and that income for hogs, cattle and calves, corn, wheat, cotton, and eggs had all shown improvement for a second straight month. Dairy product prices also improved slightly, the first such increase since 1929. Expressed in terms of purchasing power and measured against the parity yardstick, the farmers' buying power rose from 50 in March to 71 in July, the highest level since October 1930.[3]

Partly because of a willingness to give the new agency an opportunity to prove its worth, and partly because rising prices created a sense of hope that the crisis was nearing its end, farmers and farm leaders generally were quiescent during the summer of 1933. From the cancellation of the farm strike in May until early fall there was no important outbreak of farm unrest except for a milk strike in New York and a strike by harvest workers in California, both concerned with state action or inaction rather than with national issues.

By August the honeymoon period was clearly over. The changed attitude was the result of the combination of two factors. In mid-July farm prices faltered and then declined; between July and September, prices fell from 76% of the prewar average to 70%.[4] At the same time, the prices of goods that farmers bought began to rise more sharply so that the farmer was caught in a new price-cost squeeze. Between March and July the index of goods farmers purchased had risen only seven points, from 100 to 107, and this increase had been masked by the increases in farm income. Between July and October the index rose another ten points, while prices were declining six. Farm purchasing power thus declined from 71% of the prewar average to 61% between July and October, a decrease of ten points or 14%.[5] While there remained a net gain in farm purchasing power between March and October of eleven points, from 50 to 61, this fact was obscured by the outcry which arose over the combination of falling prices and rising costs.

One of the problems was simply that the AAA had promised too much too soon, thus creating a feeling of false optimism which backfired when expectations were not realized. Benefit payments for wheat and cotton farmers, promised for late summer, were delayed by the tedious process of obtaining signatures, resolving discrepancies,

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all be included in determining the price level. See Senate Committee on Agriculture and Forestry, *Agricultural Emergency Act to Increase Farm Purchasing Power: Hearings on HR 3835*, 73 Cong., 1 Sess. (Washington, 1933), 104–128, especially 123–124, for Simpson's explanation of the proposal. A key part of the testimony also appears in *Congressional Record*, 73 Cong., 1 Sess., 1627. See also John Shover, "Populism in the Nineteen-Thirties: The Battle for the AAA," *Agricultural History*, XXXIX (1965), 17–24. Title II of the act, to provide mortgage relief for farmers, is not relevant to this discussion, though it was an extremely important element in the New Deal's program of agricultural relief.

[2] U.S. Department of Agriculture, *Yearbook of Agriculture, 1934* (Washington, D.C., 1934), 708; Mordecai Ezekiel to Wallace, July 12, 1933, Agricultural Adjustment Administration Papers, Record Group 145, National Archives, Washington, D.C.

[3] *New York Times*, July 27, August 11 and 29, 1933.

[4] USDA, *Yearbook, 1934*, 708.

[5] *New York Times*, October 15, 1933.

and checking compliance. Although the AAA was eventually able to issue as many as 80,000 checks a day, the tide did not begin to flow in any appreciable quantity until late September for cotton farmers, and payments to wheat farmers did not even begin until November. In the meantime unrest in the farm belt, which had been temporarily stilled, erupted again.

The first target of disgruntled farmers was not the AAA directly, but the NRA, though criticism of the AAA for not moving as rapidly as the NRA was clearly implied. In part the NRA was the victim of its own propaganda. So successfully had it publicized its campaign to raise the income of business and labor through increased wages and prices, that it convinced the farmer that the NRA was about to bury him under an avalanche of increased costs. Alfred D. Stedman, the AAA's director of information, accurately described the situation in a memorandum to Wallace and Peek: "Because of the manner in which the NIRA has blanketed the front pages of newspapers, farmers are getting the idea that the AAA efforts in their behalf are lagging behind the aggressive work of NIRA in labor's behalf. In my office I have considerable evidence of this."[6] And indeed he had, for there are something approximating 1,000 letters in the AAA papers and a goodly number in addition in the FDR papers protesting the cost-price squeeze. A "dirt farmer" wrote his Congressman, who forwarded the letter to the AAA: "My old friend. I am writing you in regard to our ecstorionate prices on food stuff of all kind. I want you to see if something can be done to lesen the prices for us." After detailing his complaint by citing specific examples of high prices for goods he purchased and low prices for commodities he had for sale, he concluded plaintively: "Wilburn, we can't live under such condishion. . . . How can we live Son."[7] Governor Eugene Talmadge of Georgia, no friend of the New Deal agricultural programs, wrote to Roosevelt enclosing a similar letter which a farmer had scrawled on the back of a circular because he lacked money to buy other paper. Talmadge used the opportunity to protest, in grossly exaggerated form, that "the necessities of life have advanced in the retail stores more than 100 percent," while farm prices were "down from 30 to 50%. It does not take any 'Solomon' to see that the farmers' income, when applied to purchasing the necessities of life, is less than one-half of what it was sixty days ago."[8] In the very process of exaggerating the problem, Talmadge was—perhaps unconsciously—speaking the mind of the average farmer who wrote the AAA, most of whom tended to view the situation in similarly extravagant terms.

Word of farm unrest also came from an NRA official in Nebraska, who warned that there was considerable anti-NRA sentiment in that state. He included a number of "sample abstracts" from letters written by county chairmen, one of which—typical of all—warned that farmers were "complaining bitterly about the seeming unequality [*sic*] of the results [of NRA and AAA efforts] so far. They are paying much higher prices for nearly everything they buy, receiving less for their products from the farm."[9]

Accompanying the protests against NRA policy was an increasing demand for that sovereign remedy for low farm prices: inflation. If, the protestants reasoned, prices of goods farmers buy were increasing, the trend must be countered by an immediate increase in farm prices, and this could best be accomplished by inflating the currency. On August 21 more than 100 people in Delavan, Minnesota, signed petitions which attacked NRA policies and demanded an immediate increase in farm prices, and mailed them to Hugh Johnson, administrator of NRA, who forwarded them to the AAA.[10] It was this situation, wrote the Washington correspondent of the *Minneapolis Journal,* which "causes the husbandman to heave his hairy chest and Secretary Wallace to sleep fitfully. . . . That is why such sound-money fellows

[6] Stedman to Peek and Wallace, August 12, 1933, Peek papers, Western Historical Manuscripts Collection, University of Missouri, Columbia, Missouri.

[7] W. H. Kely to Wilburn Cartwright, August 14, 1933, AAA papers.

[8] Talmadge to Roosevelt, August 29, 1933, Franklin D. Roosevelt papers, Franklin D. Roosevelt Library, Hyde Park, New York.

[9] "Confidential Report of Richard L. Metcalfe, State Chairman NRA for Nebraska, on situation in Agricultural sections," attached to a letter from Metcalfe to Louis McH. Howe, September 14, 1933, FDR papers.

[10] See Charles Brand to R. C. Armstrong, September 25, 1933, AAA papers.

as [Senators] Pat Harrison and Duncan Fletcher, their ears attuned to every wail of the Southern planter, plead for currency debauchery."[11]

While the spirit of protest ran through most of the farm belt, it first erupted in the South. The price of cotton dropped from 10.6 cents a pound on July 15 to 8.8 cents on September 15, a decrease of 17%. Combined with the accompanying increase in costs, the change was enough to produce a feeling of desperate panic in the South. As early as mid-August the pressure on the administration to do something to raise the price of cotton began to increase. On August 16 Representative Morgan Sanders of Texas wired the President: "Rapid downward trend of cotton prices absolutely disastrous. Bankruptcy of the South will surely come if something is not done at once to increase the price of cotton and stabilize it." John Bankhead, perhaps the most powerful man in the Senate on cotton matters and one of the administration's most loyal and effective supporters, wrote Roosevelt two days later also urging action to raise cotton prices. He suggested it be done by a law controlling the ginning of cotton, an idea which later became law in the Bankhead Act of 1934.[12] Three weeks later Sanders wrote again: "There is much complaining among the farmers and you are becoming very unpopular in the South. . . . Many are wondering why you do not inflate currency to some extent."[13] On September 18, in a letter drafted in the Department of Agriculture, Roosevelt replied to Bankhead. He defended the existing plan of acreage reduction and declared that Bankhead's gin plan was of "doubtful legality" under existing legislation, and would have undesirable social and economic consequences. Nor was there any indication that he intended to do anything more at that point than wait for the effects of the cotton plow-up and the projected reduction of output in 1934. He concluded that the existing program was working and that "its results are not only most gratifying but have already had far-reaching economic consequences."[14]

Other evidence indicates that Roosevelt had not yet decided to go beyond the existing program. A telegram from Joseph W. Byrns, House majority leader, advised: "Situation as to farm prices is critical. I know of nothing that would offer the immediate relief which is needed so badly as a reasonable and controlled expansion of the currency." Roosevelt responded, in a remarkably frank letter which appears to have been dictated by him personally, with a ringing defense of existing policy. "I would like to see fifteen cent cotton just as much as you would," he concluded, "but it is not bad to have raised cotton from four and a half to nine and a half cents in this short period."[15] But there were also signs that the pressure was beginning to cause some second thoughts. The following day Roosevelt replied to Sanders in a letter almost identical to that sent to Bankhead, but he inserted a paragraph in the draft received from Agriculture in which he expressed confidence that higher payrolls produced by NRA programs would produce higher farm prices, although "there may be an interim of several months." And then he added, "One of the problems to which I am giving my most serious attention is that of reducing this interim."[16]

Roosevelt's decision to go beyond existing programs in order to provide more immediate relief for cotton growers was undoubtedly hastened by events in the Cotton Belt. A series of meetings had been held throughout the South demanding currency inflation and higher prices for cotton, and the movement culminated in sending a committee of 200 delegates to a convention in Washington to present the farmers' demands. They demanded, among other things, that the government inflate the currency, fix the price of cotton at 20 cents a pound, and limit the production of cotton in 1934 to 9 million bales. On September 19 they left their resolutions with Presidential press secretary Stephen Early, together with a letter signed by 29

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[11] George A. Benson, "The New Deal and Agriculture," *The Literary Digest*, September 23, 1933, 3.

[12] Sanders to Roosevelt, August 16, 1933, and Bankhead to Roosevelt, August 18, 1933, FDR papers.

[13] Sanders to Roosevelt, September 8, 1933, FDR papers.

[14] Roosevelt to Bankhead, September 18, 1933, FDR papers.

[15] Byrns to Roosevelt, September 14, 1933, and Roosevelt to Byrns, September 18, 1933, FDR papers.

[16] Roosevelt to Sanders, September 19, 1933, FDR papers.

prominent individuals including Senators E. D. Smith, Chairman of the Senate Committee on Agriculture and Forestry, and Elmer Thomas, most ardent of the Congressional inflationists. In the letter the delegates expressed disappointment at not being able to see the President personally and warned: "The situation in the cotton growing states is desperate. We respectfully remind you of the fact that, within the next thirty days, the cotton crop will pass from the hands of those who produced it . . . . Therefore, immediate effective action to raise the level of the price of cotton and other farm products should be taken by the National Administration." At the same time Thomas was publicly demanding inflation, threatening "a march of a million men on Washington" to support his demand, and suggesting that his polls indicated Congress favored inflation by 20 to 1. Roosevelt was reported standing firm against inflation pressure, still relying on existing programs to produce results. But he did consent to see the delegates, who then withdrew their demands for inflation and instead proposed that the government purchase 5 million bales of cotton at 15 cents a pound, thus in effect pegging the price at that level.[17]

The administration decided to hold the line against inflation pressures while taking other action to ameliorate farm unrest. Wallace warned that inflation was no solution to the farm problem, and that real success could only be achieved by bringing supply and demand into proper balance.[18] Then the administration took the offensive with a three-part program designed to take the initiative away from its critics. Shortly after meeting with the delegates, Roosevelt conferred with Wallace, Peek, and Harry Hopkins, head of the Federal Emergency Relief Administration, and then announced a program to purchase $75 million worth of surplus farm commodities, including cotton, for relief purposes.[19] On the following day, after a conference at the White House attended by Bankhead, Wallace, and Peek, Roosevelt announced a loan of 10 cents a pound, a rate which was approximately one cent above the prevailing market price, on all cotton still in the hands of producers, and outlined the terms of the 1934–35 cotton reduction plan.[20] The loan announcement was in part the result of a desire to do something for the farmer to prevent him from having to sell at the prevailing price, thus allowing speculators to profit from subsequent price increases. But it was also obviously a response to the pressures which had been brought to bear on the administration by farmers, farm leaders, and congressional representatives. This was clearly understood by the press and by contemporary observers at the time, and was subsequently affirmed by Wallace himself.[21]

The relief purchase proposal was also motivated by a combination of interests, both humanitarian and political. It originated, before the cotton crisis came to a head, with a confidential memorandum from Roosevelt to Wallace dated September 11 asking that he, Peek, and Hopkins "have a talk and possibly prepare a plan" to use surplus commodities for relief purposes during the winter.[22] But significantly the original memorandum mentioned butter, cheese, condensed milk, hog products, and flour, but made no mention of cotton. The circumstances of the announcement, following as it did so closely on the delegates' demand that the government buy 5 million bales of cotton, and the specific reference in the White House release to products of cotton and cotton seed, though very little if any of these products were actually used for relief purposes in 1933, suggests that both the content and the timing of the announcement were inspired by the cotton protest.[23] It is also likely that the entire commodity relief scheme was partly a response to more general pressures: the vast out-

[17] Henry I. Richards, *Cotton under the Agricultural Adjustment Act: Developments up to July 1934* (Washington, D.C., 1934), 70-71; Smith, and others, to Roosevelt, September 19, 1933, FDR papers; "The Cotton Growers and Inflation," *Literary Digest,* September 30, 1933, 8; *Time,* October 2, 1933, 9-10.

[18] *New York Times,* September 21, 1933.

[19] *New York Times,* September 22, 1933.

[20] *New York Times,* September 23, 1933.

[21] See for example *New York Times,* September 24, 1933; *Time,* October 2, 1933, 9-10; *Literary Digest,* September 30, 1933, 8; Richards, *Cotton under the AAA,* 71; Henry A. Wallace, *New Frontiers* (New York, 1934), 58-60.

[22] Roosevelt to Wallace, September 11, 1933, FDR papers.

[23] Franklin D. Roosevelt, *Public Papers and Addresses* (New York, 1938-1950), II, 361-362; *New York Times,* September 22, 1933; Searle F. Charles, *Minister of Relief: Harry Hopkins and the Depression* (Syracuse, N.Y., 1963), 69.

pouring of protest against the idea of plowing up cotton, slaughtering little pigs, and limiting the planting of wheat while so many people were suffering from lack of food and clothing. Both the AAA and the White House had been inundated by letters attacking AAA programs on those grounds.

Finally, leaving no stone unturned, the administration made a preliminary announcement of the details of the 1934–35 cotton plan, which would provide substantial benefits for cotton growers, though final formulation of the program was delayed several weeks while details were worked out, and there had been no prior indication of intent to reveal the outlines of the program so soon. The response was much as the administration had hoped. Bankhead wired the President: "Your announcement on cotton plan will electrify the entire cotton belt and give the people new life. All of us love you and this action will increase our affection. God bless you."[24] With the announcement of the loan and relief purchase programs, and the acceleration of payments for the cotton plow-up (the loan program "might never have been adopted" had payment gone out in August and early September as originally planned[25]) unrest in the Cotton Belt subsided.

But there was no respite for the administration. Even before the discontent in the Cotton Belt had subsided, trouble was brewing in the Midwest. All of the problems which had caused the upheaval in the South were present there, some of them even more serious. Early in September the *New York Times'* Omaha correspondent noted that the increasing disparity between prices and costs was causing "a discontent akin to that which was so suddenly silenced by the phenomenal and rapid rise of farm prices last May."[26] Almost simultaneously Wallace wrote Roosevelt enclosing a clipping from the *Des Moines Register* which asserted that farm groups, which generally disagreed among themselves, had been drawn together by the desire to promote an effective farm program. They agreed, said the article, that "the new deal [has] fallen short to date of affording promised aid," and Wallace suggested that some inflation might be necessary.[27] Similar warnings poured in from all over the Midwest, and the demand for inflation increased. Perhaps most significant was a series of resolutions endorsed by the Farm Bureau, the Grange, three farmers' cooperative marketing organizations, and two highly respected farm editors, noting that the disparity that had so long plagued the farmer "has actually been increased" and demanding that the President use his powers "and at once restore the price level of all farm commodities." It was, they said, the opinion of the group that "the quickest and easiest way to bring this about is to immediately launch a program of inflation. . . . "[28]

Even more important than the inflation pressure was the growing demand for "cost of production." At a convention of the Iowa Farmers' Union, Senator Louis Murphy demonstrated his general support for the administration's farm program by strongly defending Wallace, who was under heavy attack from Union members. But, Murphy continued: "While the farmer is losing his pants to his creditors, NRA prices are rolling up his shirt. We'll have a nudist colony of our own. . . . If NRA has moved in to stay, I'm going to fix up a room for A. P. C., agricultural production cost. If the industrialist is entitled to cost of production, and the law says he is, so is the farmer."[29]

The first overt action occurred in the Wheat Belt. On October 16 Governor Langer of North Dakota declared an embargo on the shipment of wheat out of the state. The action was taken, he said, to "place graphically before the American people the plight of the grain farmer. . . . " The embargo was prompted by a sharp break in wheat prices on October 13 and 14 that had also been causing deep concern in governmental circles. On the night the embargo was announced Roosevelt phoned Henry Morgenthau, Jr., head of the Farm Credit Adminis-

[24] Bankhead to Roosevelt, October 6, 1933, FDR papers.

[25] Richards, *Cotton under the AAA,* 71.

[26] *New York Times,* September 10, 1933.

[27] Wallace to Roosevelt, September 7, 1933, FDR papers.

[28] E. A. O'Neal and others to Roosevelt, September 25, 1933, FDR papers.

[29] *New York Times,* September 22, 1933; see Wallace to Murphy, September 25, 1933, Papers of the Secretary of Agriculture, Record Group 16, National Archives, Washington, D.C., for a warm expression of thanks for defending him.

tration: " 'We have got to do something about the price of wheat,' he said, strain and weariness apparent in his tone. . . . 'Can't you buy 25,000,000 bushels for Harry Hopkins and see if you can't put the price up?' " Between October 17 and 21 Morgenthau bought nearly 7 million bushels of wheat, and pushed the price up nearly 20 cents. When the market broke again on October 26 Morgenthau bought another 4.5 million bushels. In all he purchased about 16 million bushels, holding the price well above the mid-October low.[30]

Purchases of wheat for relief purposes had been considered by the AAA before Langer proclaimed his embargo. On the day following the break in the market, the chief of the AAA's wheat section advised Peek that such purchases would be welcomed since they would "act as a very stabilizing influence on the markets. . . ."[31] But the timing of the move and the fact that Roosevelt turned to Morgenthau from whom he could expect immediate action, rather than using the more normal FERA-AAA machinery, suggest that the embargo served as a catalyst, precipitating immediate action. There were also widespread rumors that a loan program for wheat would be undertaken, but the success of the purchase program, plus the fact that the long delayed benefit payments began to reach wheat farmers in November, removed the need for such action.

So important had the NRA become in the minds of many farmers, and so convinced were they of its success in raising wages and prices to their detriment, that they fixed on that method as the means of solving their own problem. Ever since Congress had refused to incorporate John Simpson's "cost of production" scheme in the farm bill, letters had poured into the AAA and the White House demanding that that action be reversed. Now farm leaders began to think in terms of achieving the same objective through a code for agriculture which would fix prices at "cost of production" levels. Late in September the Farm Holiday Association prepared such a code, and Milo Reno, the Association's President, called Roosevelt's attention to it with an implied threat to strike if it were not accepted. "Committee authorized by National Farmers Holiday Association yesterday to present farm code to President of United States will arrive in Washington September twenty eight requesting audience with you," he wired, "National Farm Holiday strike held in abeyance pending acceptance of this code."[32] As the administration failed to act, unrest mounted. Langer's method, embargo, failed to spread, though it did elicit sympathy. Six governors who were urged to extend the embargo to their states declined, generally because they felt they lacked the power to act, though they expressed sympathy with Langer's objectives. When the Montana Farmers' Union adopted a resolution urging that Montana join the embargo, John Simpson took the opportunity to voice his strong backing for Langer.

Charles W. Bryan, Governor of Nebraska, and one who had declined to join the embargo, warned that the attitude of the farmers was one of "seething unrest." Bryan declared that as a result of NRA programs which raised farmers' costs while their income fell, the farmer's "throat is being cut from both ears toward the center." As if to drive the point home, Keith Neville, chairman of the Nebraska State Recovery Board of the NRA and a former governor, resigned because he was entirely out of sympathy with the NRA program which he called a "tragic failure."[33]

The most serious threat was the Farm Holiday Association's impending strike. On October 19 Reno decided it had been "in abeyance" long enough. It would begin, he ordered, at noon on Saturday, October 21. The primary objective of the strike: "cost of production" guaranteed by a code for agriculture. Reno claimed a membership of 2 million farmers in 24 states, and while that figure was probably an exaggeration, his following was substantial. Even more important was the likelihood that the widespread unrest would cause the strike to spread far beyond

[30] *New York Times,* October 17, 1933; Henry J. Morgenthau, Jr., "The Morgenthau Diaries: V," *Colliers,* October 25, 1947, 25; John M. Blum, *From the Morgenthau Diaries: Years of Crisis, 1928-1938* (Boston, 1959), 57-60; Joseph S. Davis, *Wheat and the AAA* (Washington, 1935), 249-254.

[31] Frank A. Theis to Peek, October 14, 1933, AAA papers.

[32] Reno to Roosevelt, September 23, 1933, Sec. Ag. papers.

[33] "Rural Strikes Speeding Farm Relief in Washington," *Literary Digest,* November 4, 1933, 8; *Time,* October 30, 1933, 11-12; *New York Times,* October 20, 1933.

FHA membership, and events seemed to confirm that fear, as influential congressmen, governors, the businessmen of Omaha, and the Farmers' Union all expressed sympathy and support.[34]

The administration responded immediately. Roosevelt announced through his press secretary, on Friday, October 20, that he would address the nation on Sunday. In this, his fourth fireside chat, the President attempted to allay concern engendered by the NRA program by relating it to his total program and suggesting that its success would benefit everyone. Addressing the agricultural problem directly, he noted that farm prices had risen, and that farmers were generally better off than they had been before he took office. Then he added:

> I do not hesitate to say in the simplest, clearest language of which I am capable, that although the prices of many products of the farm have gone up . . . I am not satisfied either with the amount or the extent of the rise, and that it is definitely a part of our policy to increase the rise and extend it to those products which have as yet felt no benefit. If we cannot do this one way we will do it another. Do it, we will.

Then he made it clear that "one way" he intended to achieve the objective was by giving the farmer part of what he had long been demanding: inflation. Declaring, "This is a policy and not an expedient," Roosevelt announced that the administration would undertake a gold purchase program designed to move the government further in the direction of a managed currency.[35] The next day Roosevelt ordered the RFC to begin making gold purchases, and for the next three months Morgenthau and Jesse Jones, head of the RFC, bought gold, steadily raising the price in an attempt to force up the prices of commodities.[36]

Inflation had long been urged in administration circles, and even Wallace, while publicly warning the farmer that inflation would not solve all of his problems, had been urging Roosevelt to revalue the dollar as an aid to farm recovery.[37] Roosevelt's decision to act was undoubtedly motivated by a desire to do something to meet a serious crisis, a humanitarian response to a grave situation. But the farm strike was certainly a key factor in precipitating the decision, which was made on the same day Reno proclaimed the farm strike.[38] James Warburg, one of Roosevelt's sound-money advisers, concluded that the program would not have been undertaken "if there had been no widespread distress. . . and, above all, no articulate and vociferous demand for inflation. . . ." Peek construed the move as a direct response to the farm strike, and Roosevelt himself told a meeting of his financial advisers that, had he not acted, "there could have been 'an agrarian revolution in this country.'"[39]

Nor was the administration willing to rely on inflation alone. On October 25, using the precedent set in the cotton crisis, Peek announced a program to loan money on corn at a rate which would equal approximately 35 cents a bushel on the farm, about 2½ cents above the existing price.[40] It was expected that the corn loan program would ease pressure in the Corn Belt until benefit payments under the corn-hog reduction program, which had been announced only a week earlier, could be funneled into the Midwest.

Still the unrest in the Midwest continued. The farm strike was partially arrested by the government's policies, but attention shifted to five midwestern governors who adopted the program of the Farm Holiday Association—especially the agricultural code—and made it the basis for a drive to gain an administration commitment to "cost of production." For a brief period after their arrival in Washington the governors actually believed that their program might be adopted. Following their first conference with the President they noted that he had approved the plan in principle, and following a second conference they went so far as to assert that he was "willing to accept a price-fixing plan

[34] *New York Times,* October 20 and 21, 1933.

[35] *New York Times,* October 21, 1933; Roosevelt, *Public Papers,* II, 422-427.

[36] Blum, *Morgenthau Diaries: 1928-1938,* 69-75.

[37] Wallace to Roosevelt, July 26, August 1, 21, 22, and 29, 1933, FDR papers; *New York Times,* September 10, 1933.

[38] Blum, *Morgenthau Diaries: 1928-1938,* 67.

[39] Richard S. Kirkendall, "Four Economists in the Political Process," *Journal of Farm Economics,* XLI (1959), 201; *New York Times,* October 24, 1933; Blum, *Morganthau Diaries: 1928-1938,* 72.

[40] *New York Times,* October 26, 1933.

if they prepared for him one that was 'feasible and workable.'" Whether or not Roosevelt ever intended to accept price fixing as they demanded is not clear, but at a third conference he settled the matter by reading them a statement which declared the plan to be impracticable, since it would require "the licensing of every plowed field and marketing by a ticket punch system of all grain and livestock." Even if the program were adopted, and Roosevelt expressed doubt that existing legislation granted him such power, the administration sincerely doubted that farmers would accept such regulation. On hearing the news Reno ordered the farm strike, which had been idling along, into "full gear."[41]

As the farm strike spread and violence increased, the government made two final moves to quiet the discontent. On November 4, again following the precedent set in the cotton crisis, the administration announced plans to buy up to 300 million pounds of pork products—equivalent to 3 million live hogs—for relief purposes. Five days later it liberalized the corn loan by raising the rate another 10 cents, to 45 cents a bushel. Within two weeks purchases of hogs for relief had begun, and shortly thereafter corn loans began.[42]

As government money poured into the area the farm strike subsided and then disappeared. On November 3, Reno had wired Roosevelt: "Wallace is enemy of our program. We will refuse to accept any modifications of our demands at his suggestion." But only a week later, when Wallace delivered a "fighting speech" in Des Moines defending the New Deal's program for agriculture, and attacking critics of the program in general and the Farm Holiday Association in particular, he was warmly received by a crowd of 10,000. And the head of the much maligned NRA, Hugh Johnson, was cheered enthusiastically as he delivered pro-administration speeches in Minneapolis, Omaha, Des Moines, and Kansas City. To newspaper reporters he confided: "I would never have left Washington if I'd known that things were in as good shape as they are. I expected to be heckled at Des Moines and Omaha, and I was cheered." By the middle of November news of the farm strike had become "inside page stuff" reported the *New York Times'* Omaha correspondent, and the *Times'* Des Moines correspondent agreed. So did other observers, and *Time* magazine correctly summed up the reason for the rapid demise: "Checks from the Agriculture [*sic*] Adjustment Administration were descending on the land in a gentle, pervasive rain, damping the prairie fire of farmers' anger." It was the same "gentle, pervasive rain," ending the long money drought, that had been so effective in damping the fires of revolt in other sections. The administration had quelled the rebellion.[43]

It would be inaccurate to suggest that administration policy in this crucial period was determined solely by political pressure. The genuine need of a large segment of the population for immediate relief would probably have caused a socially conscious administration to take many of the same actions even in the absence of such pressure. But political pressure was a significant factor. Ignoring for the moment the effect of immediate pressure, it seemed likely that the continued life of th administration would depend on its effectiveness in meeting the economic crisis. Of this Roosevelt was painfully aware and some action beyond crop reduction would probably have been dictated by this fact alone. But the demands generated by farm unrest clearly caused the administration to speed some actions and undertake others which it probably would not otherwise have done, since it would have preferred to wait for the reduction and benefit programs to take effect.

It would be equally misleading to overemphasize the concessions made by the administration. It did not succumb to the demand for price fixing to insure "cost of production," and even the inflationary device it did adopt came near to being the least the government could do if it were to do any-

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[41] *New York Times,* November 3-5, 1933; Bruce Bliven, "The Corn Belt Cracks Down," *New Republic,* LXXVII (1933-1934), 36-38; *Time,* November 13, 1933, 12-13; Wallace, *New Frontiers,* 56-58.

[42] "Bryan! Bryan! ! Bryan! ! ! Bryan! ! ! !" *Fortune,* January, 1934, 60-69 (in my estimation this is the best contemporary account of the farm strike); *New York Times,* November 6, 7, 10, and 11, 1933; D. A. FitzGerald, *Livestock under the AAA* (Washington, 1935), 60, 73.

[43] Reno to Roosevelt, November 3, 1933, FDR papers; *New York Times,* November 12, 17, 18, and 19, 1933; *Time,* November 20, 1933, 16.

thing at all. The changes made in policy were, however, very important, especially the resort to non-recourse loans, which have played such a substantial part in our subsequent history as the principal means of supporting farm prices.

The controversy had also cleared away much of the doubt relating to the government's agricultural policy. Whether or not the average farmer understood the economics behind the reduction program, he came to believe that the government was genuinely concerned with his welfare, and thereafter he generally accepted the program offered. The AAA emerged from the crisis still committed to crop reduction as the most important element in its program, though it had added a number of other devices to aid in achieving its objectives. With the resignation of Peek a month later, which ended the controversy over means within the AAA, and the weathering of this storm with its programs intact, the AAA and the New Deal were clearly and firmly set on the course that they would follow in pursuit of economic equality for the farmer.