Grading and standardization programs would be emphasized. Federal agencies might be given specific legislative assignments to develop new product standards and grades appropriate to changed needs.

Antitrust activity has an important role in improving the functioning of competitive exchange processes by reducing concentrations of power either on the buying or selling sides of markets. Large firms could be forbidden to acquire other firms. Divestiture is an alternative which may be considered in some situations. Where processors, distributors, or suppliers are too small to take advantage of economies of size, mergers among small firms could be encouraged so they could on the one hand, lower their unit costs and, on the other, offer stronger competitive challenges to larger rivals.

The extent, form, causes and consequences of vertical and conglomerate firm growth are not fully known. New legislation may be appropriate to assure competitive behavior by diversified firms. As a first step, specialized firms might be put on a more equal basis with diversified firms so far as information about each other is concerned if data on sales, expenses and profits, by divisions, of vertically and conglomerately integrated firms were made publicly available. More information is needed about trends and reasons for changes in land ownership patterns.

In order that up-to-date information about changes in industry structure will be available to the Congress and the Executive Branch, legislation could provide specifically that continuing economic studies of evolving industry structures of the food and fiber industries would be carried out. Some of the studies could be conducted by educational and private research institutions, others by economic research agencies in the federal government or by regulatory bodies, such as the Federal Trade Commission or the Packers and Stockyards Administration in the U.S. Department of Agriculture.

The essential thrust of the antitrust approach would be to balance economic power at as low level of intensity as possible consistent with efficiency and progressiveness. To the extent that greater information and education would lead to decentralized decision-making and diffusion of power, emphasis on antitrust approaches might be correspondingly reduced.

(2) *Legislation to restrict farm size or land ownership*

Direct restriction of farm size by limiting the number of acres or volume of sales or volume of sales per farm might be an effective way to control farm size and keep a large number of farms. Laws could also be passed to prohibit absentee or nonfarm corporation ownership of land.

An indirect method of discouraging large scale operations would be to alter income tax schedules so that small size would be encouraged and large size discouraged. Tax allowances and treatment of capital gains might also be changed to make agricultural land less attractive to outside investors. A low limit could be set on the amount of government payments per farm, or government payments could be graduated, becoming less liberal as size of business increased.

It might be argued that restricting farm size would retard efficiency and technological progress. However, certain types of restrictions would seem to be essentially neutral in these respects. Where restrictions would enhance family farm agriculture but would impose little if any restraint on efficiency or progress, society could choose this pattern of agricultural organization, if it desires to do so, within significant economic loss. Furthermore, in addition to satisfying certain social and organizational preferences of society, substantial positive values could accrue to other groups, such as farmers, business firms, and service institutions that make up an integral part of the family farm structure. Strengthening this structure would also help avoid some population mobility and adjustment costs and perhaps ameliorate population pressures in urban centers.

But it should be recognized that various techniques and government programs for restricting farm size or land ownership would not necessarily assure that the management and risk-taking functions would remain intact in the hands of farmers, or that farm incomes would be satisfactory—unless the legislation would attempt to deal with these matters, too.

If subsidy programs which would substantially increase farm earnings and maintain them at a high level were to prevail, then in the absence of restrictions to the contrary, more nonfarm capital would tend to be attracted into agricultural production. Increased subsidies along historical lines also would tend to widen the difference in earnings among individual farmers and further increase land prices.