AMERICAN FARM BUREAU FEDERATION

We appreciate the opportunity to comment on the Economic Report of the President for 1969.

Farm Bureau members are interested in the Economic Report because it deals with matters which determine the economic climate in which farmers must try to make a living.

Our members also have an interest, as taxpayers, in the many sections of the Economic Report which call for continued, or increased, Government expenditures.

At the present time the economic climate is dominated by strong inflationary pressures. This is recognized at several places in the Economic Report. For example, on page 33 [1] the Council of Economic Advisers notes that "The pressures of excessive demand pushed up the price level at the unacceptable rate of nearly 4 percent" (in 1968). This apparently refers to the Consumer Price Index.

As an industry that suffers from overproduction—some of which has been induced by Government programs—agriculture is seriously hurt by inflation because farm costs rise faster than farm prices. This is well illustrated by the chart on page 48 which shows that farm prices have consistently lagged behind other wholesale prices since 1963 except for a brief period in 1966 when farm prices were boosted by an unwarranted hysteria over the world food situation.

From December 1962 to December 1968 the Wholesale Price Index for all commodities, including farm products, rose 9.4 percent, but the wholesale price of farm products rose only 6.2 percent.

We certainly agree with former President Johnson's statement (p. 9) that, "The immediate task in 1969 is to make a decisive step toward price stability."

We strongly urge the Congress to pursue inflation control with greater vigor in 1969. In achieving this, major emphasis should be on cutting Federal expenditures in order to obtain a balanced budget for fiscal 1970. Reductions in expenditures should have priority over continuation of the surtax for an additional year.

We are well aware of the argument that reducing Government expenditures might increase unemployment. We do not, however, believe that inflationary policies are a sound approach to the desirable objective of maintaining a high level of employment. The unemployment problem is concentrated in groups that have very little to offer the job market. The major impact of inflation on employment is to increase the demand for—and consequently the money income of—the better qualified workers who already find it relatively easy to obtain employment.

The problem of finding employment for the disadvantaged can best be approached through efforts to upgrade their skills in order to

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[1] Economic Report of the President, transmitted to the Congress, January 1969, together with the Annual Report of the Council of Economic Advisers: U.S. Government Printing Office, Washington, D.C.