

SENATOR ROBERT MORGAN  
NC BANKERS ASSOCIATION  
SEPTEMBER 15, 1979

## OUTLINE

INTRODUCTION: Belief in our Federal system  
Desire to discuss federalism,  
especially re financial structure

### DUAL SYSTEM OF BANKING

(a) Historical Development of the System --  
emergence of the national debate (systems  
origin, 1927 McFadden Act, 1933 Banking Act.)

(b) Contemporary Challenges

i. Treasury study of McFadden due  
this fall

ii. Federal Reserve membership  
question

ii.

(c) Present strengths of dual banking --  
need to preserve state authority in specific  
actions

(d) Morgan efforts in Senate Banking  
Committee to influence laws to maintain state  
authority

CONCLUSION: Future of our political system has always  
depended on a balance between the national and  
state governments -- it will continue to do so --

SENATOR ROBERT MORGAN

NATIONAL ASSOCIATION OF STATE  
DEPARTMENTS OF AGRICULTURE

HYATT HOUSE, WINSTON-SALEM, N.C.

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NEW DIRECTIONS IN AGRICULTURE

It is an honor for me to join you today to share a few thoughts on agricultural policy with you. It is a special thrill for me to be here with you because of the family farm character of our state's agriculture and because my good friend, Jim Graham, serves as your president.

First, let me say that the National Association

of State Departments of Agriculture is rapidly becoming an important organization in the shaping of farm policy in Washington. This is true because you have been blessed with strong leadership and because you have an outstanding Washington staff.

Also, we at the federal level are beginning to work more closely with state officials. Too often in the past, we have assumed that federal policies and programs would be implemented and executed almost as a matter of course. As a result, we all have learned some painful lessons and we are beginning a process of examining,

with state officials, how these programs and policies will impact on our citizens.

I am especially pleased that you will have an opportunity to see some of our farms while you are here. You will most likely find that our farms are small and that they are small because of tobacco. It is important that you learn about tobacco because there is so much misunderstanding and misinformation about this great commodity and the best way to get an education is through firsthand experience.

Agriculture and rural development are two of my primary interests in the Senate. My interest stems from the type of state that North Carolina is, because of the fact that I am a farmer myself and because I believe that agriculture is the backbone of the American economy.

I also serve as Chairman of the Rural Housing and Development Subcommittee which has jurisdiction over many of the programs of the Farmers Home Administration.

During my years in the Senate, I have attempted to gain appreciation for national farm policy concerns. When a new Senator comes to Washington, he or she is tempted to vote strictly the interests of his or her state. But to be parochial is to be shortsighted. We must look beyond the borders of our state and see the national importance of agriculture. When one takes a national view one discovers that we have a common interest, an interest that spans from Hawaii to Maine and from Florida to Alaska. We must consider the broad aspects or we will likely suffer the type of divisiveness that will destroy us in the end.

I believe that the most useful purpose I could serve here today is to discuss with you what I believe should be the future directions we should take in farm policy. We know from the devastating experience that we suffered in the Great Depression that the federal government must be involved in agriculture. We must constantly re-examine this involvement, assuring that our policies and programs recognize current realities and maximizes the freedom and rights of our farmers.

A word of caution. The political future for agriculture concerns me. The 1980 Census is going to

mean a loss of traditional farm seats in the House of Representatives. Because of the close votes that have occurred in the House in the past few years on farm matters, I think that it is clear that we must rethink our strategy for the political tests that are sure to confront us in the next decade. The old rhetoric, in my opinion, will no longer suffice. We must search for new areas of strength and not continue to articulate the old and familiar platitudes of days past.

Our farm policies must recognize new economic realities, both foreign and domestic. We must meet

the challenge that tightened energy supplies portend.

And we must develop a consensus about the impact of modern agriculture on the environment, and a consensus regarding the balance of interests between farmers and consumers. These are the areas that we must focus upon, the areas where success or failure will be determined in the future.

One of the difficulties we have in developing farm policy concerns our ability to know how policy should be formulated within the context of emerging economic realities. This is extremely difficult,

especially in view of the fact that weather plays a telling role in food and fiber production of the major agricultural nations of the world. Without question, economic factors such as the health of the world economy and the strength of the dollar play an important role to our nation's special interest in the world's food and fiber marketplace.

Despite these elusive and complex challenges, I think that export policy should be placed at the forefront of our farm policy. I think that we should set the goal of exporting \$50 billion worth of farm

exports by 1985 and demonstrate determination to reach that objective.

I speak of determination because we have not always demonstrated the kind of determination that will be required in the future. Just now, for example, are we beginning to execute the aggressive export promotion programs that we must have.

Also, we have a sad history of trying to use our farm exports for political purposes. I say that this is a sad history because such policy approaches, either through embargoes or through the use of food

as a weapon, have been counterproductive. These ill-advised strategies fail because, four years out of five, the world has abundant supplies of food.

One of the difficulties facing farm policy makers is the degree to which farmers, both here and abroad, are insulated from marketplace realities. Because of the interdependent world we live in, such a policy of insulation cannot, for long, be tolerated. The ultimate result is the type of protectionism that will most assuredly lead to international disruption and turmoil.

Now, I cannot deny that there is often a thin line between protectionism and national survival. Policy makers have to be as concerned about the economic welfare of their country as they do about their national defense. What we need to do is to strike a balance between domestic concerns and international realities.

It is clear to me that our farmers would be the benefactor of freer trade. Our farmers have shown many times that they can successfully compete in the world marketplace and protectionism, if anything, hurts

our agriculture, not our competitors' agriculture .

Fortunately, the present Administration has recognized this fact. The President, Secretary Bergland, Ambassador Strauss and our entire trade team are to be congratulated for emphasizing agriculture in the recent Multi-Lateral Trade Negotiations. Without their strong efforts, the trade package would have been far less satisfactory from agriculture's standpoint.

The most pressing problem we face in agriculture today is energy. We need energy to power our tractors and implements, to cool and heat our poultry and pork

operations, for the marketing of our farm products and for a variety of other farm-related purposes. Beyond the immediate needs of food and fiber production, all rural Americans are extremely energy dependent. Rural people do not have transportation alternatives, for example.

The immediate energy picture is bleak. Sure, the spot shortages of spring and early summer have disappeared. But rural people will soon experience difficulties because of the high cost of distributing energy, especially petroleum, to low population density

areas. This was true in the early 1970's. If it were not for farmer cooperatives, many rural areas would have been devastated by shortages.

Two types of energy policies must be pursued in the short-run. First, we must be sure that rural areas receive priority allocation of fuels. Second, we must be sure that decentralized forms of energy production are a part of the nation's energy strategy. This can be accomplished through a number of means, including wood and grain alcohol, biomass conversion, low-head hydroelectric generation and through other sources,

all of which can be characterized by decentralization.

Why is decentralization so important?

Decentralization needs to be pursued because it means independence for rural people. Senator Talmadge, just last week, offered legislation which is designed to make rural residents 50 percent less reliant on petroleum and natural gas by the year 2000 and I intend to support him in his efforts.

The energy crisis can develop into a blessing. History has shown that man is capable of determining his fate. This crisis should represent for us all both

a challenge and an opportunity, a challenge to test our creativity and leadership and an opportunity to provide our citizens with long term stability.

Another matter of concern has to do with the continuing strife between farmers and consumers. This is a relationship that is important now and will be paramount in the 1980's, for all of the reasons I articulated earlier.

This relationship revolves around two dimensions. One part has to do with matters of price, the other with the matter of food safety.

Regarding price, the consumer lobby continues to fight bills in Congress that will benefit farmers. The most current example of this concerns sugar legislation. On this particular issue, I find it important that the Administration is on the side of the farmers. Nonetheless, farm groups expect a difficult struggle getting a bill through the House of Representatives.

Now, I plan to support a sugar bill, even though no sugar beets or cane are grown in North Carolina. I will support sugar because Senators from sugar-producing

states have supported commodities important to North Carolina, including tobacco.

Consumers will fight this bill, citing its possible inflationary impact. Let us examine the facts.

It is true that the world price of sugar is below the U.S. price. What consumers fail to understand is that sugar is the most volatile commodity, price-wise, in the world. U.S. growers produce only a small fraction of our needs, the remainder coming from a group of countries that have been marked by political instability.

At present, domestic growers and processors are going out of the business in droves. If we lose our domestic production, we will be at the mercy of the world market. To assess what may happen, one only has to recall that sugar increased from 14 cents a pound to 86 cents a pound during a six-month period in 1974. I submit that consumers will benefit as much as farmers from continued sugar production here in the U.S.

Consumers have yet to fully understand what comprises food prices. Today, the farmer receives only one-third of the food dollar, a proportion that has been

dropping steadily since the Depression. When food prices increased recently, the President sought an explanation. It wasn't the farmers he called to the White House, but food processors and the food chains.

I have a few thoughts on the problem of food safety. Consumers have reacted against chemical additives in our food supply. The most recent example concerns the use of nitrites in meat processing, notably in bacon and other pork products. A meat processor from Minnesota recently used Latin, "sola dosis facit venenum", or "only the dose makes the poison", to

describe his reaction to consumer attitudes on this matter. What he was trying to say is that we must use potentially dangerous chemicals to protect public health and that moderate use of chemicals would enhance, rather than damage, the health of our people.

The "food safety" rhetoric hits me two ways. On the one hand, government scientists and regulators must act to assure that we have a safe food supply. Our record in this area is second to none in the world.

On the other hand, consumers have abundant food choices. The average grocery store in America

stocks over 10,000 food items. If consumers want to avoid chemicals in food, they can make that choice by exercising their rights in the marketplace.

The best way we can generate consumer understanding is through education, through better communication. Farmers are beginning to invite their urban cousins to see what life is like in Rural America. Farm and commodity groups are attempting to attack this problem through direct advertising in newspapers and over the airways.

Here in North Carolina, we recently tried a

different approach. A number of leaders here, including the Governor, Commissioner Graham, and myself, met with key agricultural leaders to develop a tour for key Congressional staff. Less than one month ago, 17 staff people from outside the Deep South boarded a plane in Washington for the trip to North Carolina. Many of these staff people had no firsthand knowledge of agriculture. Two days later, all 17 left with direct experience of what our state's agriculture is all about.

Plans are already being formulated to have this trip again next year. I intend to propose that we invite

each individual to spend an entire day with a farm family which will mean an extension of the trip by one day.

The additional time would be very worthwhile. The intimate exposure that this day would provide to each person would undoubtedly impress them for the remainder of their lives.

The fact that we are doing this type of exercise in North Carolina is a tribute to agricultural leaders such as Jim Graham. Here in the Tarheel state, we believe in confronting our problems directly and positively, with a sense of confidence that justice and reason will

prevail. I certainly would urge each of you to consider such a tour for your state.

Early in my comments I alluded to the likely political difficulties that farm-state Senators and Congressmen will face in the 1980's. I am concerned, even worried. But I am not willing to throw in the towel. Seeing you here today, the leaders of agriculture for the states of our great nation, cannot help but reassure me. We know that we will be challenged in the future, just as we have been in the past. But we can meet those challenges. We can meet them because

of the very nature of our free society. We will endure,  
even thrive, through our strength and our ability to  
look to the future.

Thank you for this opportunity.