Marquis Childs

Post 7/24/73

Earl Butz and the Cost of Food

Earl L. Butz

With food prices certain to rise and no assurance that shortages will not persist even as Phase IV is trundled on stage and the disaster of Phase III is thrown out, the men responsible for the predicament are still in charge. Secretary of Agriculture Earl L. Butz continues to preside over his empire with its 95,000 employees and far-reaching controls over food resources.

Butz engineered the sale to the Soviet Union last year of 20 million tons of grain. Half of that sale or roughly 440 million bushels was wheat with the price subsidized by the American taxpayer. As a minor sideshow alongside Watergate, political charges and counter-charges have never ceased to rain down over that deal.

Sen. Henry M. (Scoop) Jackson's investigation subcommittee is currently looking into the whole matter. The hope is to determine whether Uncle Sam got royally rooked in the deal, what it cost the taxpayer and how much the grain companies profited.

In the initial phase of the grain deal Butz dealt with his opposite Soviet number Vladimir V. Matskevich. They handle these matters rather differently in the Soviet Union. Matskevich was abruptly dumped and according to one report is now serving in a minor post in Siberia.

The reason was not the deal since that was obviously to the advantage of the Soviets. Matskevich had made disastrously wrong forecasts about agricultural production last year and this put Moscow up against the necessity of foreign purchases made with scare foreign exchange. The export service in the Department of Agriculture is currently anticipating sales out of the 1973-74 crop of 128 million bushels of wheat to the Soviet Union and 59.8 million to the Peoples Republic of China. That will be roughly 10 per cent of the total crop.

For at least a year and a half when it was obvious that a policy of high prices and scarce production had to be abandoned, Butz clung to the old formulas. He failed to take the steps essential to open the range to more cattle. He made no move to open idle acres to production. If it had not been for action by Congress, the old subsidy system paying farmers for not planting, and in many instances large factory farmers, would still be in effect.

Whether Butz can make up for the lost time and compensate for these errors of judgment is questionable since he is so steeped in the psychology of scarcity and the protection of a narrow farm constituency represented by the American Farm Bureau Federation. High food prices and threatened shortages turn off the average citizen who may have little or no interest in politics as such and for whom Watergate is a minor distraction.

This administration not only makes mistakes, as all administrations do, but it boasts about them as though they were triumphs. To hear the designer of Phase III claim it was a success is astonishing. Secretary of the Treasury George P. Shultz is a respectable economist who subscribes to the Milton Friedman University of Chicago school of free enterprise.

In the groves of academe Dr. Friedman can spin convincing theories. His disciple, Shultz, is faced with the stern necessity of trying to manage a complex and deeply troubled economy. Ideology does not serve him well in the crunch of inflationary prices and the dollar-trade gap.

By every indicator from the slaughter of the chicks to the scarcity on supermarket shelves, Phase II was a failure. The grievous error was in scrapping Phase II under Shultz's tutelage. It had worked fairly well in restraining the rise in prices.

To be sure powerful forces are working in the markets of the world that may put the economy of a single nation beyond any set of managers however skillful and dedicated. More protein in the diet of the peoples of Western Europe, Japan and elsewhere puts a strain on available food supplies. But the answer is not a sudden export embargo imposed without concern for America's trading partners or the American trade balance.