1927

President Coolidge Vetoes McNary-Haugen

The first time Congress passed the McNary-Haugen bill, in 1927, President Calvin Coolidge vetoed it. It was, he claimed, unconstitutional. But he used most of his veto message to argue against the bill on other "principles." The bill, he said, granted "almost unlimited control of the agricultural industry" to the Federal Farm Board. And this was against "all principles of equity." The veto is an example of the profound conservatism that characterized the Republican presidents of the 1920's.

Clearly this legislation involves government fixing of prices. It gives the proposed Federal board almost unlimited authority to fix prices on the designated commodities. This is price fixing, furthermore, on some of the Nation's basic foods and materials. Nothing is more certain than that such price fixing would upset the normal exchange relationships existing in the open market and that it would finally have to be extended to cover a multitude of other goods and services. Government price fixing, once started, has alike no justice and no end. It is an economic folly from which this country has every right to be spared.

This legislation proposes, in effect, that Congress shall delegate to a Federal Farm Board, nominated by farmers, the power to fix and collect a tax, called an equalization fee, on certain products produced by those farmers. That certainly contemplates a remarkable delegation of the taxing power. The purpose of that tax, it may be repeated, is to pay the losses incurred in the disposition of the surplus products in order to raise the price on that portion of the products consumed by our own people....

A board of 12 men are granted almost unlimited control of the agricultural industry and can not only fix the price which the producers of five commodities shall receive for their goods, but can also fix the price which the consumers of the country shall pay for these commodities. The board is expected to obtain higher prices for the American farmer by removing the surplus from the home market and dumping it abroad at a below-cost price. To do this, the board is given the authority by implication to fix the domestic price level, either by means of contracts which it may make with processors or cooperatives, or by providing for the purchase of the commodities in such quantities as will bring the prices up to the point which the board ma), fix....

The granting of any such arbitrary power to a Government board is to run counter to our traditions, the philosophy of our Government, the spirit of our institutions, and all principles of equity....

The effect of this plan will be continuously to stimulate American production and to pile up increasing surpluses beyond the world demand. We are already overproducing.... With such increased surpluses dumped from the United States on to foreign markets the world prices will be broken down and with them American prices upon which the premium is based will likewise be lowered to the point of complete disaster to American farmers. It is impossible to see how this bill can work.

Several of our foreign markets have agriculture of their own to protect and they have laws in force which may be applied to dumping and we may expect reprisals from them against dumping agricultural products which will even more diminish our foreign markets.

The bill is essentially a price-fixing bill, because in practical working the board must arrive in some way at the premium price which will be demanded from the American consumer, and it must fix these prices in the contracts at which it will authorize purchases by flour millers, packers, other manufacturers, and such cooperatives as may be used, for the board must formulate a basis upon which the board will pay losses on the export of their surplus...

This measure is so long and involved that it is impossible to discuss it without going into many tiresome details. Many other reasons exist why it ought not to be approved, but it is impossible to state them all without writing a book. The most decisive one is that it is not constitutional. This feature is discussed in an opinion of the Attorney General, herewith attached and made a part hereof, so that I shall not consider the details of that phase of my objections.

QUESTIONS

1. Why does Coolidge think the McNary-Haugen bill would actually lower rather than raise the prices of farm commodities?
2. According to Coolidge, how would countries importing American commodities react to the effects of the bill if it became law?