
In this chapter, I contend that the New Deal increased the amount and breadth of agricultural regulation in the economy and, of more significance, shifted it from providing public goods and transfers to controlling supplies and directing government purchases to raise prices. This type of economic regulation was unprecedented. Government purchases during World War I were intended to aid the war effort, not raise prices. Prior to 1933, there is no record of government-imposed output controls on the scale that characterized new Deal programs. More important, I show that the New Deal created the institutional structure needed to continue the new regulation, which I contend, was the most consequential aspect of the agricultural legislation enacted between 1933 and 1939. Agricultural laws passed by Congress from 1884-1970 are analyzed along with commodity prices, USDA expenditures and employment.


The Agricultural Adjustment Act and the National Industrial Recovery Act (NIRA) were cornerstones of the early new Deal, designed to cartelize agriculture and industry. When the Supreme Court annulled both acts, agricultural regulation was reinstalled within 6 weeks, following organized lobbying by farming interests, but broad industrial regulation was not reinstated. There was no corresponding lobby effort by industry to return the NIRA. To explain these differences we analyze the effect of farm/firm cost heterogeneities within commodity programs and industries on the ability of the parties to agree to and adhere to collusive regulations. We find that in the case of agriculture, because agricultural pricing and production policies were designed and implemented by low-cost producers, they were relatively self-enforcing and long-lasting. In contrast, high-cost firms in industry played a major role in setting prices and output within many of the NRA industrial codes. Consequently, these collusive policies were not self-enforcing and failed to create an effective lobby for their reinstatement.

“We provide a new and more complete analysis of the origins of the Dust Bowl of the 1930s, one of the most severe environmental crises in North America in the twentieth century. Severe drought and wind erosion hit the Great Plains in 1930 and lasted through 1940. There were similar droughts in the 1950s and 1970s, but no comparable level of wind erosion. We explain why. The prevalence of small farms in the 1930s limited private solutions for controlling the downwind externalities associated with wind erosion. Drifting sand from unprotected fields damaged neighboring farms. Small farmers
cultivated more of their land and were less likely to invest in erosion control than larger farmers. Soil conservation districts, established by the government after 1937, helped coordinate erosion control. This “unitized” solution for collective action is similar to that used in other natural resource/environmental settings.