Ec. 178, UCLA

Thurs., Oct. 26

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1. Credit rationing problem.

I. D.s raise capl. from their customers; share risk w. them.

Solano I.D. today, 4-58 quote

My Fac. lunch club at Mo.

2. Cfson. vs. Giant land cos.

a. Gross output high. Fresno & Tulare Cties, 1 & 2 in nation. They are east side ties, esply Tulare. Stanislaus high.

Kern low. Has KCLC on e. side, M & L on west (B.V. Lake). Better soils; better climate. Lots of water.

W. side n. of Mendota is low. CCID has 5 afa.

b. Farm towns.

Thriving in I.D.s. Land develops high amenity value.

but have community spirit. Middle class. Cf. Firebaugh, Arvin, etc. Shade towns. Square, maybe, Economies of urban & rural agglomeration. ~~Cont'd~~ (Insert p. (a)

c. Self-sufficiency.

The I.D.s have paid their own way.

KCLC got Isabella.

Tulare L. interests got Pine Flat; now, Cal. Wtr. Plan

M & L. got Sacto. wtr.

Myth of Fed. works for small fellows.

~~3~~ Extend economies of dense rural population

1. Access to public facilities.

Schools, granges, churches.

Markets: canneries; packing plants; storage "elevators," bins, gins, dairy plants, wineries, freezers; shipping points

Raw materials: farm equipment, supplies.
Rural utilities: power supply.
Rail ~~#~~ stops; bus; truck terminals

Rural specialization is good, to get ecs. of scale & compn.
Tax brings all to highest use, so many grow the same
∴ diversification is good, to get high load factors on roads, labor, all social overhead.

Dense rural popn. lets you have both.
all this reduces need for vertical integration, lets smaller farms be viable.

Cf. midwest. For years, meat packing was all in Chicago.
Milling was in Minneap.
But in Calif., dense agric., food processing moved right to small rural towns.

3. Cf. Santo V.

Santo. has more natural wth.

But lower costs. Hence lower tax pressure. Years behind in technique, everything.

Slow adapters predominate.

4. Challenge & response hypothesis.

Cheap water doesn't make for intensive agric. Dear water does, up to a point. Cheap wtr is substituted for other inputs. Dear water is carefully controlled, put to high uses.

5. Flexibility? I.D.s give it inside their boundaries. Otherwise, early pattern of scattered settlement is frozen.

Class.

Vertical Intn.

Re range land & base land.

1. Self-fulfilling prophecy.

If you prophecy that there is no free mkt. supply of winter feed, and ∴ lease ~~range land~~ range only to those w. base farms, then

a. No one can rent range w/o a base, and there will be no ~~Amt of~~ mobile ~~business~~ cattlemen ~~other than~~ existing. Then you can say, there's no demand for range.

b. Those w. base farms will not have to sell on mkt. Then you can say, there's no mkt. in hay or silage.

2. Vert. intn. forces all to be alike.

3. .. .. large. No place in system for small guys.

4. If base farms have water r+s. they have another lever of control.

They shd. be forced to share, rather than assume no one else can get water.

5. Stock are more mobile than they used to be.

6. There is a lot of risk to be pooled —
rain on the range
inun. wtr. supply.

a. One way is to require excess capacity. Never use means capac. than, but nearer minimum.

b. 2d way is by large firms.

c. 3d way is by free mkt. Since the whole mkt. is larger than any firm (unless there is only one), there is nearly more pooling via the mkt. than via large firms.

But large firms destroy the mkt. resulting in a net loss.

7. Anything of high risk is cap. intensive bcs. you must go into it w. large reserves.

But do not overstate. The reserves may be in liquid invts. elsewhere. And you may do well the first year and never draw on the reserves.

8. Feed grains can be imported from 1000s of miles away.

9. Mormons v Mayer, etc., are a good way to integrate.