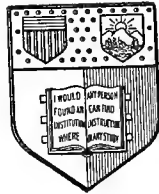


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HOW SHALL AGRICULTURE SURVIVE THE DEPRESSION

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HOW SHALL AGRICULTURE

SURVIVE THE DEPRESSION

By E. C. BROOKS.

The condition of agriculture is an index to which even thoughtful people point today when they seek to interpret our economic outlook. The average selling price of agricultural commodities is lower today than at any time since 1900. Therefore, the tendency is to look backward for a solution rather than forward. Although prices are lower than at any time since 1900, the average production for agricultural workers is approximately twice as great as in 1900, and this increased production is an index that points to marvelous changes that have taken place within this period. Changes that demand of us that we take an inventory and seek a solution which cannot be found by studying agriculture alone.

In 1900 public roads were built and maintained by inhabitants living on or near the highways, without cost to the State, and for the most part without cost to the counties, and such roads! But today each State maintains at public expense many thousands of miles of improved highways. Great public service departments have been created in each that have opened new occupations to thousands of skillfully trained men. Moreover, these modern highways have facilitated the marketing of agricultural products, the building of large consolidated rural schools, the organization of cooperative associations, and the interchange of commodities on a scale heretofore unknown. They have destroyed old and created new community centers, affecting the small country church, and creating a demand for the consolidations of counties. Although they are maintained at great cost, they have become a necessity, and the people cannot return to the days of the rough and sometimes impassable dirt roads, constructed and maintained at the expense of individual citizens, whose welfare is now interwoven with better transportation facilities.

In 1900 the automobile was a novelty and considered by many a dangerous invention. In 1896, it is said, England had a law limiting the speed to four miles an hour, and requiring that a man waving a red flag should precede every power-driven vehicle. But think today of the millions in use, the large cities built on this industry, and the number of new occupations established not only in the manufacture and operation of automobiles, but in the rubber and cotton in-

dustries, in the use of gas and oil, and in the demand for new chemists, and physicists, and mechanics. We cannot return to the slow-moving vehicle of 1900. This would throw thousands out of employment and disrupt our economic and social life. Moreover, the automobile has become a necessity to agriculture, and its use and maintenance demand ready money, the amount of which in many instances is greater than the profits of the farm in 1900.

In 1903 Wilbur Wright at Kill Devil Hill on the coast of North Carolina flew 852 yards, and in 1905, 24 miles. Some scientists had declared in 1900 that such a feat would be a physical impossibility, but in 1927 Lindbergh flew from New York to Paris, and today aviators are encircling the globe, flying over the North and South Poles, great air lines are established, and thousands of passengers are transported daily. Moreover, the plane is used in transacting business, in the protection of our forests, in promoting agriculture, in carrying the mail and express, and in many other useful ways. As a result, many new occupations have been created, employing many thousands of skillfully trained men. The airplane is becoming a necessity, and we shall not return to either land or water travel exclusively, for science ever leads us forward not backward.

In 1895 Marconi was unable to interest his native country, Italy, in wireless telegraphy. Scientists then declared that this means of communication would be impossible, except for very short distances, but by 1900 its possibilities were demonstrated and today we can talk to people of any civilized country, to ships at sea, and television and radio are rapidly changing the habits and recreations of our people.

Moreover, the radio is becoming a necessity in the rural home and its general use will be hastened if the farmer is to be more than the stolid man with the hoe, ignorant of the world as it passes before him. The radio is opening up new occupations, requiring great skill and technique, and we shall not go back to the slow means of communication of thirty years ago.

While it is true that modern science has created a new machine age and many new occupations requiring new and heretofore unknown technique, it is also true that modern science has rendered obsolete many of the old machines of a generation ago and industry that did not have the foresight to meet the new demands has been wrecked and many old occupations are dying or dead, leaving helpless or even destitute, many thousands of our people—and the first to

suffer in times of depression is the one who has been moderately successful in only one narrow field. He may be a mechanic, a carpenter, a painter, a textile worker, or even a farmer, who can produce only one commodity, such as cotton. Something is wrong with our social organizations that leave a man stranded or helpless in a barren or abandoned occupation. Nevertheless, we shall not go back to the old machine, nor to the old individualistic philosophy, the survival of the fittest, the law of the jungle, that left hordes of people to perish without the benefits of even a gesture of justice.

I have been speaking principally of material changes during this period when the prices of agricultural commodities rose from a very low level at the close of the nineteenth century and soared to heights that made farming a profitable occupation for a time, and then suddenly returned to the same low level again. These changes have provided new occupations for millions, the most of whom have been drawn either directly or indirectly from the farm.

Government Has New Functions.

Such changes have had far-reaching effects on human welfare, hence on government, and the purpose of government has changed and materially broadened within this period. The health of the people has become a major concern. Then there was no very effective State Board of Health, few hospitals, and few county or city health officers. People for the most part still believed that malaria came from bad air, that tuberculosis was inherited, that typhoid fever resulted from indigestion and that flies were beneficial scavengers. The application of modern science to the health of our rural people is an outstanding achievement within this generation. Moreover, long and burdensome hours of labor for men, women, and children were considered good discipline and economically necessary, and we dwarfed our workers by severe industrial practices, and unsanitary and unhygienic environment. But the science that has produced these mechanical changes has made marvelous developments in hygiene and health. The State, the county, and the city are spending millions today to keep well, physically fit and sound. As a result, new professions requiring great skill have again developed, and regardless of the depression, we shall not go back to the old unhygienic conditions of thirty years ago.

In 1900 government was very simple. Its chief function was to protect life and property. Hence, taxation was relatively light, but with modern public demands, public funds with which to purchase public benefits have increased enor-

mously. Many people are alarmed over the size of the tax burden and no adequate solution has yet been found, and no statesman has appeared who has been able to suggest a satisfactory and equitable system. But a remedy can be found that will distribute the burden more equitably and at the same time preserve the basis on which our progress is founded. Although we are compelled to economize and to restrict our expenditures within reasonable limits, we shall not go back to the old tax method nor to the slow financial currents of thirty years ago, regardless of the longing for the simple, but inefficient good old days of local self-government.

The purpose of education in 1900 was rather vague and indefinite, except for those who wished to enter the older professions. Public high schools in our rural communities were rare and the cost of private instruction, even in those earlier times, was nearly equal to the per capita cost of teaching high school pupils today. But only a few, and these were confined almost exclusively to our urban communities, were able to pay the private fee and receive high school instruction. The attendance in all our colleges was very small indeed and our rural sections especially in the South, were almost totally neglected. Daily newspapers could barely live, because of a lack of readers, and school libraries, outside of our colleges and universities, were a novelty. But today, with all this vast new science, new mechanics, and new technique, with this strange and distressing unemployment increasing as old trades and occupations are dying or gasping for existence, with this unsolved problem of production and distribution, and want in a world of plenty, with this weakening of confidence in the integrity of our people that is wrecking our financial institutions and creating a state of unrest that is threatening the very foundations of our government, there is a greater demand among youth and adults today for education than ever before in the history of the world. Our youth are receiving on an average nearly three years more schooling than they received a generation ago, and we shall not revert to those simple days when education was provided for only the few.

As we consider the marvelous changes within this generation in means of transportation and communication, in mechanical inventions and new mechanical power now in use on the farm and in the rural home, in the modern attitude to health, education, and human welfare, we can better understand why agricultural production has increased approximately twofold per capita and why it had to increase in order to help carry this additional load. It is apparent also, I think,

that when agriculture stages a come-back, it can do so only by utilizing more advantageously these new forces which it now possesses, but which it is in danger of losing.

Cause of Agricultural Decline

It may be helpful to examine the causes of our agricultural decline. They may be grouped, it seems to me, for convenience of discussion into two classes: First, those over which agriculture had no control and little influence, and second, those which are found in present day agricultural methods and processes. It may be important, therefore, to review the first in order to understand more clearly the new duties laid upon the farmer and the educational institutions that work directly with him.

The war stimulated production and caused marvelous improvement in machinery that contributed much to increasing production. Consummable goods, therefore, were produced at an unheard of rate. Moreover, credit, which is always essential to rapid production, also at this time greatly increased and was based on capital facilities, which had to be increased to meet credit needs. Therefore, stocks, bonds, lands, industrial and commercial institutions reached heights of capitalization heretofore unheard of. The rapid expansion of business carried rents, taxes, fees, salaries, and interest charges in the total to unprecedented high levels. In turn, the value of stocks, bonds, lands, and the capital value of industrial and commercial corporations likewise were inflated. Moreover, international trade and international credit expanded far beyond any degree heretofore known. In order that business might expand, banking was compelled to adjust itself to meet credit facilities that domestic and international trade might further expand, that the production of consumable goods might be further increased and moved, that rents, wages, taxes, and interest might be paid, and that public service, including education, health, etc., needed for raising standards of living, might be maintained. *And This is the House That Jack Built.*

But the agricultural class, through the aid of education, met the nation's demands in a crisis, and this should not be forgotten. It was to be anticipated that within a reasonable time after the war the world would not be in a position to consume goods in quantities that it had heretofore consumed them, and as a result, we hear the cry of overproduction all along the line, in industry as well as in agriculture.

Then came declining prices and a greater urge to move the

goods already produced. Each nation then began to check the flow of goods from other nations into its territory and the economic war was on. Tariff laws, United States leading, checked international trade still further and created international mistrusts and jealousies. Accompanying the decline of international trade, came the decline in international money exchange and national isolation has been gradually taking the place of international cooperation. Jealousies and hatreds among nations seem to be on the increase and too large a part of the world's income now is spent in preparing for national defense or for another world war.

It is natural, under the circumstances, that credit based directly or indirectly on international trade, should decline, and banks, having loaned on securities that were falling below the actual loan value, began to see the handwriting on the wall, but they were helpless. The circulation of money was restricted. Again the exchange of goods declined, the flow of money from producer to consumer declined, and naturally business declined all along the line, leaving a mixture of unemployment and high rents, declining credit and high taxes and high interest rates—and then came the crash, *and the toppling of the house that Jack built*, and in its fall it threatens to pull down all that we had erected.

The agricultural classes, therefore, must adjust themselves to the following forces which they have little control—to a decline in international trade, to a contracting currency system, to a banking system in which there is little confidence, and to high taxes to meet debt service and provide necessary public benefits.

Must Safeguard Bank Deposits

One of the immediate causes of the agricultural depression is our defective banking system. The bank is the heart from which money flows to business, then around to consumer, and back again through the bank. Therefore, when our banking system ceases to function, capital facilities become lifeless, credit loses its value and there is a stricture of the whole arterial system, business slows down, and the farmer especially can neither buy nor sell as formerly, and commodities unsold are called surpluses, regardless of the country's need for them, and the farmer is the first to suffer.

Since 1923, the number of bank failures, as recorded by the Federal Reserve Bulletin, has been 6, 997. But less than a dozen have failed during this time in Canada and Great Britain. Therefore, bank failures can be stopped. Those that have failed in the United States, with few exceptions have

been the smaller ones, and it is in the small bank that the farmer has deposited his savings, and even his borrowed money on which to do business. Moreover, the credit extended to agriculture has been one of the causes of the bank failures. The banker especially is the one man who should understand land values and the relation of credit to production, but he is so bound to industry and his credit is so inelastic that he is unable to cooperate properly with agriculture. Therefore, he is out in the cold today, freezing with frozen credit.

The public, therefore, has developed a marked distrust of all banks and this loss of confidence in all our financial institutions, added to the collapse of credit and international money exchange, has multiplied our difficulties. But the depositor is by no means the only individual that suffers. When a bank fails, the stockholder and the borrower suffer likewise. Therefore, a whole community is made to suffer and it is useless to say that mass fear is the only cause, so long as the people's savings are in jeopardy. Moreover, when a bank is in distress, our methods of liquidating it are the most costly and destructive type of machinery known to the courts. The failure of a bank is severe on a community, but the methods of liquidating it are ruinous alike to depositor, stockholder, and borrower. No wonder a community is seized with mass fear when the rumor is spread that the safety of a bank is in jeopardy.

The Federal government will show a decline of revenue this year of approximately two billion dollars. It is not a wild guess for those who have been observing the decline in revenue of our State, county, and city governments, to say that these will show a decline of another billion dollars. If government, therefore, had actually spent half as much money in safeguarding bank deposits and credits as it will lose in revenue this year, confidence would not have been destroyed, money would have circulated with more freedom and without fear, people would have been able to carry on and pay taxes, and government would not be running such deficits, amounting to billions of dollars. The safeguarding of deposits, of course, would not have relieved the great depression, which is due in the main to other cause, but it would have made it possible for agriculture and industry to work cooperatively, even on reduced capital.

Great concern is expressed over the safety of the obligations of a State or of a nation. But these bonds are not held by the people generally, and how to protect their values is, of course, the greatest concern. But why so little concern over the obligations of a bank to a community? It seems to me that a

is destroyed.

community's loss, due to the failure of one agency of the State or Nation, should not be considered merely as a natural phenomenon about which nothing can be done until it appears. Then emergency measures are resorted to after confidence

It was natural that there should be a shrinkage in credit values, for it seems that every part of business, even agriculture, was overcapitalized, but if people had had no fear of losing their little deposits, the crash would have been arrested and business would have continued, though upon a reduced scale.

They tell us this depression is natural—that it is tracing the old economic curves following previous wars, and that we cannot escape the same curves. It is well that we should know this curve, but it is followed today because the speculative mind of business follows it, not because it is natural and unavoidable. And if government had safeguarded the people's savings as jealously as it safeguarded its-own credit, confidence in government would not be destroyed, speculation and overcapitalization could have been checked. The curve would have been changed. Consequently, business habits would be different today, but we followed it with rents and taxes at the peak, based on inflated values, and now taxes and rents are eating into capital, which again impairs credit, and the farmer is neither able to buy nor sell, and agricultural surplusses accumulate, not altogether because of over-production, but because the business of the world has slowed down, credit has collapsed, lack of confidence has destroyed cooperation, and consummable goods cannot be moved, even to those needing them.

Our tax systems, over which the farmer has no control, are consuming the capital facilities of both industry and agriculture, and there is a bitter fight between them for existence, and in the contest agriculture suffers most, because it has the least margin of profit to support a contest. It is conceded, I believe, that the tax an individual should pay should be governed somewhat by his income, and the amount the farmer pays bears less relation to his income than any class of people. Therefore, before an effective and permanent remedy can be applied to agricultural ills today, the manipulators of the machinery of business must change their methods. For agriculture is caught in this machinery in such a way that it is the first to suffer when the machinery slows down and the last to revive when business stages a come-back.

What May the Farmer Do?

Since the farmer will not and should not go back to the

economic life of a generation ago, if he retains any pride in his profession for himself and his family, and since he has little or no control over the major causes of his present decline, what may he do as a class to improve his condition? In other words, how can he pull himself up by his own boot-straps?

We should keep in mind that he is confronted with high interest rates, a restricted currency, not sufficient to carry industry, with little credit, and little demand for his commodities. It is necessary for him, therefore, to plan his future accordingly. Money crops no longer mean money to him. It is imperative then that he plan to live on less money and on more commodities, to seek markets for his surplus products at or near home, to avoid the cost of high exchange, or he is doomed. Hence, the economic necessity of a new type of farm management. Our agricultural leaders have been urging for a number of years the need for better farm management, but the influence of banks, merchants, industry, and commerce on single commodity production and money crops, has been too powerful for the farmer to make much headway. Bankers are learning better today, but not until they too are in sore distress.

This new business management will require diversification, balanced production, better distribution of labor, better seed and stock, and a considerable reduction in the need for buying the necessities of life. And this requires more intelligence than the average farmer employs today. Our research specialists, extension agents, and college teachers, perhaps, should change their methods somewhat and treat the farm as a business unit. But the tendency has been to treat agriculture as segregated specialties rather than to look on the farm as a whole. Our teachers of agriculture, our research specialists and our extension agents may have to modify their program to the extent that their efforts may be directed towards three major objectives—better farm management, conservation of the soil, and cooperative buying and selling, and a sufficiently large staff in our Land Grant Colleges should be working constantly, it seems to me, to show the relation of all agricultural courses, all problems of research, and every extension plan to the farm as one business unit.

Some Show The Way

A limited number of farmers and farm women in every Southern State are proving, even in these distressing times, that a farm, properly organized and managed, may be made profitable. Such farms, I think, should be classified as to their degree of success and set up as object lessons, to be

studied by neighbors, teachers of agriculture, research specialists, and extension agents. We have not given sufficient prominence to the farmer who is successful during this depression. He is a unique individual and well worthy of study.

Land is the major part of the capital stock of the farmer, who spends large sums in his efforts to make his capital produce a profit. Soil building, soil enrichment, and soil classification are possible without the expenditure of large sums of money. But they do require the application of science and more knowledge than the average farmer employs today. Hence, he tries to buy the greater part of his plant food from industrial concerns, and under present methods, he is contributing too large a part of his earnings to commerce and industry while his capital tied up in land is declining.

A sound farm management program will direct our agricultural teachers, research specialists, and extension agents to concentrate on soil building and soil enrichment and soil classification, and utilize farmers who have succeeded, for this is building up the capital stock of the farmer in the most economical method possible.

No business can prosper unless it learns the most economical method of buying and selling, and this likewise requires intelligence, and more intelligence than the majority of farmers employ today. Merchants, bankers, railroads, manufacturers, and all the major industries are merging into large and still larger cooperative units. But I observe that each started as a small concern or a small unit and gradually enlarged as business management developed. In the process of evolution, therefore, managers were trained and confidence in the management was built up across a generation or more.

Must Form Cooperative Units

Agriculture has made a beginning in cooperative buying and selling, but its major energies in the South were spent first in attempting to create large State-wide units before even a confidence in cooperation was born and before managers in sufficient numbers had been trained. We are now learning that the business of agriculture must follow the path of other cooperative businesses and build first small cooperative units that will demonstrate the value of cooperative buying and selling and inspire confidence in cooperative organizations. Such are already in existence in every Southern state, but on account of lack of leadership, the number is relatively small. Our agricultural research specialists, extension agents, and teachers might well concentrate more largely on cooperative buying and selling and use the successful ones today as object lessons.

Successful agriculture is dependent upon sound credit. The extending of credit under our present system has been a detriment, in many instances, rather than a benefit, not only to the lender, but to the spender. Bankers and merchants, as well as farmers, are suffering today because credit was extended, not on wise planning, but as a rule on single cash or money crops. If cooperation in buying and selling is good for groups of farmers, cooperative credit planning is good for a whole community, and in this necessary enterprise we must enlist the merchant and the banker, as well as the farmer. Our agricultural research specialists, our extension agents, and our college teachers should make a more careful study of agricultural credit, its relation to food and feed requirements, to production needs, to annual income, and to standards of living. The Master Farmer throughout the South suggests a number who plan wisely, borrow carefully, and respond to the best business methods. There has never been a time when real integrity and business methods, that still suggest sound ethical principles, are more needed to create community confidence and give a new basis for a more wholesome rural life.

I believe that our agricultural colleges should set up one major curriculum looking to the farm as a unit and utilizing essentials from every other department of the college, and college teachers, students, research specialists, and extension agents should utilize those farms today and those cooperative units that have already demonstrated that a farm and farm organization can be made to pay.

We have been interested in diversification, or a live-at-home program as an emergency measure. Agriculture must thrive, if it thrives at all, on small profits. Moreover, the farmer can no longer pay the great cost of distribution of goods and have any profit, but it is necessary for him to buy gasoline, keep up roads, support schools, maintain new machinery, and preserve a fair standard of living. The costs to maintain these were not demanded a generation ago, and yet, agricultural products are selling today below the prices of a generation ago. But let me repeat, through the help of these new agencies, the farmer is producing approximately twice as much as he produced a generation ago, and this is the hope, and if his production is properly balanced, and he can avoid the high costs of distribution, he can live well, have a small profit, and preserve the best in our rural life. This is already being demonstrated today, just when the depression is the lowest in history.

Finally, this depression clearly indicates, I think, the need of a new education and a new leadership, that will be helpful

in broadening our sense of honesty, in working out a new basis of cooperation in government, in business, in industry, and in agriculture, that the safety of our people may be threatened less by speculation, and made more secure by the development of a greater confidence in our institutions among all classes of people.

