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PROCEEDINGS

American Association for Agricultural Legislation

December 29-31, 1919

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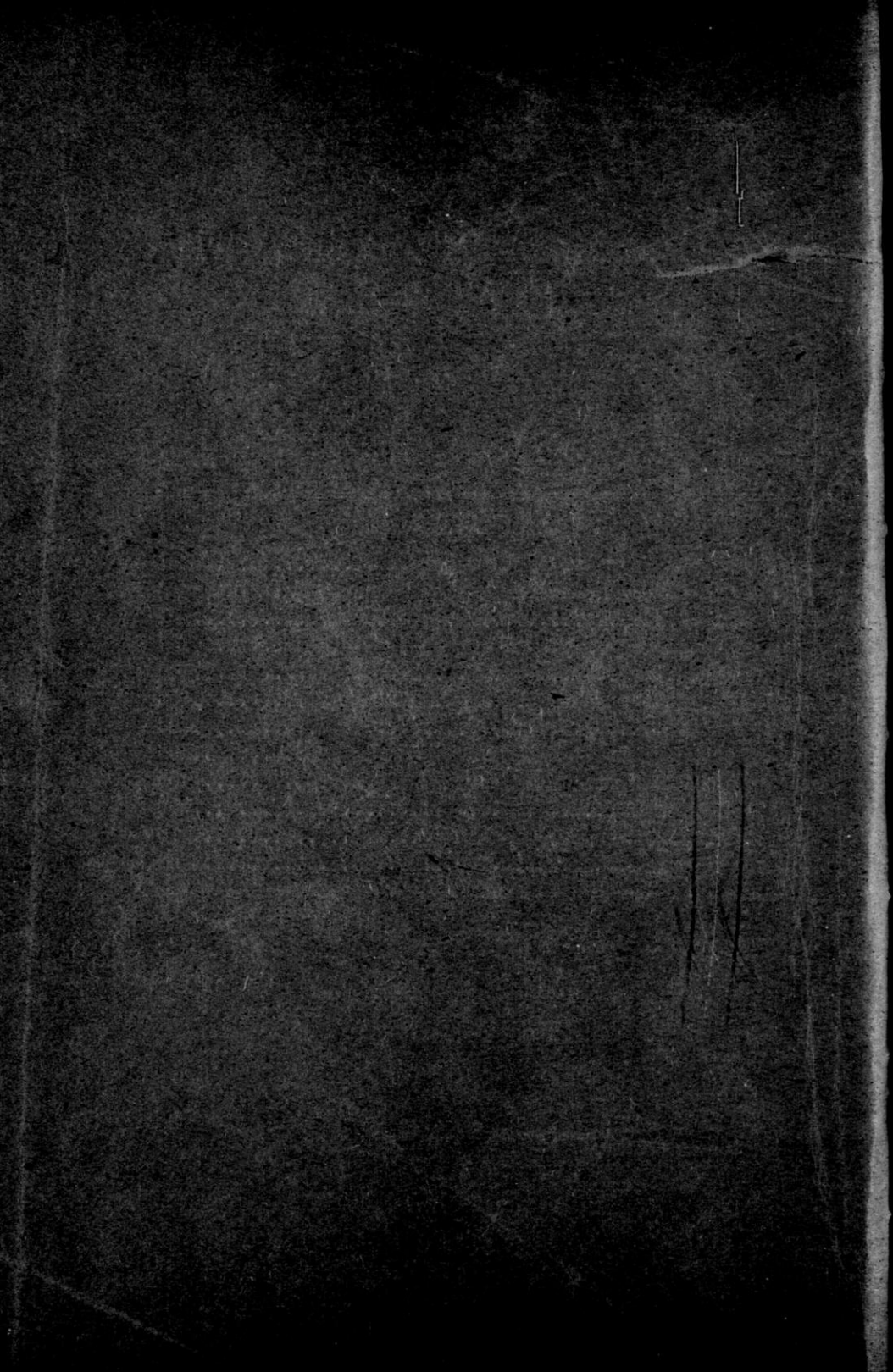
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**American Association for Agri-
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AMERICAN ASSOCIATION FOR AGRICULTURAL LEGISLATION
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**BULLETIN No. 6
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PREVIOUS STUDIES

1. Private Colonization of Land.....RICHARD T. ELY
2. Papers on Tenancy—
 - I The Agricultural Ladder.....W. J. SPILLMAN
 - II Tenancy in an Ideal System of Land Ownership..
..... RICHARD T. ELY AND CHARLES J. GALPIN
 - III Discussion
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3. Rural, Social and Economic Problems of the United States..
.....CHARLES J. GALPIN AND ALONZO B. COX
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PAPERS ON TENANCY

*Social Aspects of Tenancy*C. V. GREGORY, *Editor*, "Prairie Farmer."

The desire to own land is one of the strongest implanted in the human heart. All down through the ages there has been a tendency for men of wealth to acquire large landed estates and all through the ages the greater part of the unrest of the world has been due to the desire of the peasants to own the land they worked.

The Mexican and Russian revolutions derived their main strength from the land hunger of the peasantry. The Balkan states have taken a long step toward stabilization by buying up the big estates and parceling them out among the tenants. France has long been one of the most stable nations in the world, due largely to the fact that most of the land is owned by the peasant's themselves. Even England, the stronghold of landed estates, is seeking a practical means of breaking up those estates.

"Yes," says the average American, "But conditions are different in this country."

But are they?

We have in Illinois 50,000 acres of land owned by the Scully estate and operated by 400 tenants under a system that has brought revolution in many other countries. Here is a story that Lewis Nelson, one of the Scully tenants told the Illinois Legislature last April:

Nelson owned \$7,500 worth of buildings on the Scully farm which he was renting. One boy was in France and the other was waiting for his call. Nelson's own health was not good. So he decided to sell his improvements and quit farming. He found a neighbor and made the sale, receiving \$500 down and a note for \$7,000.

A short time after this one of the younger Scullys came to the farm on a trip of inspection. He objected because Nelson had only four acres of clover where the lease called for 20. Nelson patiently explained that he had sown the required acreage but had failed to get a stand, and had put the ground into another crop on the recommendation of the local Scully agent.

"It doesn't make any difference," said Scully arrogantly. "We are going to enforce the lease. You are fined \$30."

"Scully talked with such an English accent that I could hardly understand him," Nelson said, "I objected to his arbitrary statement that he was going to fine me for something I couldn't help and for following the agent's instructions, and in the argument, no doubt, said some things that I shouldn't have said.

"MOVE YOUR BUILDINGS INTO THE ROAD!"

"Scully pointed his finger at me and said, 'You can move your buildings off the place. Tear them down and take them out into the road. We will refuse to rent the place to the man who bought your buildings, and declare the sale void.'"

"Those buildings were about all I had to show for a lifetime of hard work. I went to see a lawyer, and he told me all I could do

was to go to Scully and apologize. I did so, but Scully wouldn't even look at me. Fox (one of the Scully agents) told me that I was asking a thousand dollars too much for my buildings. 'We will give you \$7,500 for them or you can move them out on the road,' he said.

"He finally agreed to let me sell them for \$7,000. He tore up the note that my neighbor had given me, and had him give me one for \$500 less. Then he said to my neighbor, 'If I ever catch you paying Nelson that \$500 I will throw you off the place.'"

This did not happen in Russia or in Mexico or in Germany, but in free America—in Illinois. The story was told publicly on the floor of the House of Representatives and is part of the official records of the state of Illinois. Members of the legislature listened spellbound to the amazing recital. The Scully agents did not deny a word of Nelson's testimony. Later one of them admitted to me privately that it was all true.

Here was a free American citizen selling property that he had bought and paid for to another American citizen at a price mutually agreed upon. Then a third party, a resident of London, England, declared the agreement void, made a threat that meant practical confiscation of the entire property, and finally forced a sale at \$500 less than the agreed price. Talk of bolshevism! A bolshevist might have taken more than \$500 while he was at it, perhaps, but the principle would have been the same.

The Scully estate is an extreme example of the evils of non-resident land ownership, but it is by no means the only one, and it indicates the direction in which we are drifting.

Every census shows a higher percentage of tenancy in America. The 1920 census will show that almost half the farms in Illinois are operated by tenants. Something must be done to check this increase; to turn the tide in the other direction.

The man who lives on the land and works it must own it, or be working it under conditions that will lead to ownership within a few years, if he proves to be a successful farmer. In no other way can we establish a permanent, prosperous agriculture that will be capable of feeding our increasing population. The problem of land ownership and tenancy is not only our greatest agricultural problem, but one of our greatest national problems. It must be solved quickly if our people are to be sure of getting enough to eat.

Our present tenant system is leading rapidly to disaster. In Livingston county, Illinois, for instance, 20 per cent of the farm land is owned by persons living along the Atlantic seaboard. They never see their land and have no interest in it except as a source of income. They do not buy fertilizers; they do not give the tenant the sort of a lease that would justify him in buying fertilizers or in plowing under clover. The land is declining in fertility rapidly, and no steps are being taken to check that decline. As the land grows poorer, the farmers who work it will grow less efficient, for it will no longer yield a sufficient income to attract the best farmers.

The result of absentee landlordism will be the ruin of the most

productive land in the world; will people it with a class of farmers who are willing to work for a bare living. The whole nation will pay the penalty by going hungry.

The evils of our tenant system are by no means confined to the absentee landlords. A considerable number of the local landlords are little better.

HIGHER LAND PRICES.

Land values have increased tremendously during the past year, making it still harder for the young farmer to buy land. Every great increase in land prices brings with it harder tenancy conditions and an increase in non-resident ownership. In the vicinity of West Liberty, Iowa, out of 35 farms sold during the first half of this year, 15 passed from the hands of actual farmers into the hands of non-resident owners.

WHAT IS THE REMEDY.

Only a radical remedy will meet our present situation. The remedy I have proposed is radical, but only in the same way that every departure from our established way of doing things is radical. That remedy is as follows:

1. The amount of land which can be owned by any person who does not actually live on and operate it should be strictly limited, either by direct legislation or by progressive taxation.
2. The ownership of land by non-residents should be prohibited entirely.
3. The federal farm loan law should be amended to enable any farmer to borrow up to at least 80 per cent of 160 acres of cultivated land. If this cannot be done, the same result should be obtained through state farm loan laws.

Let us consider these points in detail.

1. Is there any logical reason why a banker or a business man should own a farm that he never intends to operate himself? By doing so he is preventing some ambitious young farmer from owning it. He is consigning some farmer to a life of tenancy, a life much less desirable than a life of land ownership.

This is much more than a matter of personal business between the land owner and the tenant. It vitally concerns us all, for our life and the lives of our children depend upon having our farm lands properly handled. The ambitious, efficient young farmer who would like to own this farm does not rent it, as a rule. He ceases to be a farmer and goes into some other business. Some less ambitious and less efficient man, who is willing to remain a tenant all his life, takes the farm. He does not handle the farm as well as it would be handled by a man who owned it.

The farm does not produce as much food in the hands of a tenant as it would in the hands of an owner. More important still, it grows proper in the hands of the tenant where it would grow better in the hands of the owner. Because tenancy is much less desirable than ownership, the entire tone of country life is lowered where the

percentage of tenants is large. Schools and churches do not flourish in a community of tenants as they do in a community of owners.

In order to gratify some business man's desire to be a land owner, in order to provide him a safe investment for his money, we allow the evils of tenancy to be saddled upon us in increasing degree. With the consequences of such a policy fully in mind, I do not believe that any honest man can say that there would be anything unjust in a law limiting the amount of land that can be owned by any person not actually living upon and operating such land.

THE EVILS OF ABSENTEE OWNERSHIP.

2. Why should the Scully estate be permitted to own land in Central Illinois, collecting \$10 a year rent from land that cost an average of \$5 an acre? The Scully estate is not doing anything to build up either the land or the community life of Central Illinois. By holding great tracts of land that are not for sale, that can not be bought at any price, it is depriving many farmers of the opportunity to own their farms, and is thereby a drag upon the progress of Central Illinois agriculture.

From the standpoint of the nation, our only interest in that Central Illinois land is that it produces the largest possible crops on a permanent basis, and that conditions of living upon it shall be such as to produce the best possible crop of American citizens.

Since the Scully estate interferes with these objects, why not compel it to sell the land? The owners of this estate have no sacred, vested rights in it that would oblige us to let them continue to hold it when it would be much better for everyone else for it to be owned by the men working it.

We have used the Scully estate only as an example. What we have said about it applies with almost equal emphasis to every other non-resident landlord.

FINANCING THE YOUNG FARMER.

3. There will be no object in restricting land ownership largely to people who work the land, unless we provide a means whereby these people can buy this land and pay for it. The federal farm loan system, properly amended or supplemented, will do this.

At present this system has two points of weakness. The amount of money that can be loaned to one individual \$(10,000) is too small, and the percentage (50%) of the appraisal of the farm that can be loaned is much too low.

The first point can be remedied by a simple amendment to the law increasing the loan limit to \$25 000, or, better still, to \$50,000.

Perhaps not more than 50 per cent of the appraised value of the farm can be loaned on a first mortgage, however, without increasing the interest rate. The remedy would be the use of second mortgages, covering an additional 30 to 40 per cent of the appraised value. With careful appraisal, and proper consideration of the character of the person to whom the loan is made, at least 80 per cent of the appraised value of the land could safely be loaned on first and second mortgages.

A simple amendment to the federal farm loan law would permit the banks to loan on second mortgages and issue second mortgage bonds, which would be entirely distinct from the first mortgage bonds, and would necessarily bear a higher rate of interest—probably 6 or 6½ per cent.

The experience of Europe with farm loan systems similar to ours, with the amendments proposed, has been that they are most effective in reducing tenancy. Farm loan bonds are a better investment than land for the retired farmer, the banker or the business man. The natural tendency under this system is for the older farmers to surrender their land to the next generation, putting their money into farm loan bonds and giving the young farmers the incentive which goes with land ownership.

One objection that has been made to any plan that will make it easier for the young farmer to buy a farm is that it will increase competition for land and send prices up. This difficulty will be largely avoided by limiting the competition for land to the men who are actually going to work it. Such men will not run the price up to a figure that is out of reason.

In closing I want to read a few paragraphs from one of the latest speeches of Theodore Roosevelt:

“The foundation of our permanent civilization rests on the farmer; and by farmer I mean not the man who owns land which others till, but the man who himself tills or helps till the ground, part of which as least he himself owns. A cardinal feature of our national policy should be the insuring of his rights to this man; and this not only for his sake, but for the sake of all of us.

“Normally, in farming regions, where the land is agricultural land, tenancy should be recognized only as a transitional and temporary phase, and normally the working farmer should himself be the landowner and legislation to secure this should at once be enacted.

“In different sections of the country there are different needs, and, therefore, different methods of meeting the needs will be necessary; nor do I intend to define them; for the remedies may be cumulative, and may in some sections include progressive taxation of land holdings in excess of a quarter section or at most a half section, the rights of tenants to compensation for all improvements or indeed a certain property right to the land itself, and real, not nominal, provision by the government for loaning money to those who need it in order to buy themselves a freehold.”

THE DIVISION OF FARM INCOME BETWEEN LANDLORD AND TENANT

JOHN D. BLACK, Univ. of Minnesota.

The particular theoretical aspect of tenancy which I shall discuss is the division of the income between the landlord and the tenant. This division is of course determined by the amount of the rent paid. I shall first consider cash rent, and afterwards apply the analysis to share rent.

The issue which is here raised is by no means a new one. Landlords and tenants in all ages and climes have argued and disagreed as to what constitutes an "equitable" division between them of the farm expenses and the farm income. In the days of the Ptolemys in Egypt, the tenants are reported as "striking" against their royal landlord because of his attempt to collect a larger share of the farm income as rent. Just at present, however, the issue is more sharply drawn than usual in many parts of the United States because of the high though uncertain level of prices for farm products and the recent sudden jump in the prices of land. Cash rents have risen in many sections, but landlords are strenuously insisting that even these higher rents do not return them an adequate or even a normal return on their larger investments. In share-renting sections, the landlords are asking for larger shares, or larger bonuses, or else they are trying to shift more of the expenses onto the tenant. I shall endeavor before concluding this discussion to apply the analysis to the present situation.

The rent which we are considering is of course "contract" rent, and not the economic rent of the Ricardian formula and its modern adaptations. It includes not only the pay for the use of the land, but also for the capital improvements on the land, the buildings, fences, drainage systems, fertilizers. It includes also the pay for the landlord's services as landlord, and whatever additions to or subtractions from the foregoing which may arise from conjunctures of circumstance, from economic friction, bargaining, monopoly, custom or collective bargaining. Between contract rent thus defined and economic rent, there is necessarily a high degree of correlation. This correlation will be discussed later.

The first thing to understand about contract or "market" rent is that it is a price, a market price, exactly like the price of wheat or milk. It is the price paid for a year's use of land and the improvements upon it. Since rent is a price, it is determined in the same general way as all prices, that is, by supply and demand, and the price-making forces behind supply and demand. There are those who tell us that the law of supply and demand no longer operates. They are mistaken of course. Sometimes it operates slowly, but it always operates. It operates even where the supply of a good is entirely monopolized. What these persons mean is that competition is no longer always free, that some of the parties to many transactions are in positions of relative advantage or disadvantage. This is most decidedly true, and has been since the be-

ginning of history, and rent is an excellent illustration of the fact. Let us see how the law of supply and demand operates in the case of rent. The landlord is a middleman. He buys at wholesale and sells at retail. Farms are constantly being offered for sale because estates need to be settled, or farmers wish to change farms or retire to the city. He who buys one of these farms outright must have considerable capital or credit, for he is buying not only the coming year's use of the land, but all the future uses of it. Frequently not enough of the young men who are climbing the agricultural ladder have means adequate to do this. They can, however, buy a year's use of this land, or contract under lease for a series of years' uses of it, especially since in most cases they do not have to pay for it until they have sold their crops. But the retiring farmers wish to sell their farms outright. This is where the landlords step in—they buy the farms from the estates or the retiring farmers and then retail them out a year's use at a time to the tenants who have not the means to buy all the uses of the land, present and future, at one time. Middlemen usually make their incomes out of the margins between what they pay at wholesale and what they sell at retail. The cheaper that landlord middlemen are able to buy farms, and the higher the rents they are able to obtain, the larger their middleman margin. It is ordinarily assumed, however, that competition between landlords, tenants, and owner farmers on the one hand and between different landlords on the other hand, is sufficient to keep these margins at a reasonable level. In buying their farms, landlord middlemen have to bid up, in the first place, to induce farmers to sell rather than to run their farms themselves, and in the second place, to outbid the farmers' sons and tenants who are about ready to buy. If they ask too high rents, young men aspiring to be tenants will remain farm laborers or move to town, and the old tenants will buy farms if they are able or else quit farming. If these opposing forces are not enough to keep landlords' margins from rising above a normal competitive level, then more and more men will try to be landlords and this will beat the margins down. As a result, the margins will be kept at a point which will call forth just the necessary number of landlords.

Whether the foregoing assumption is reasonable or not is a question that can be answered only after closer study and analysis. Let us discover if we can the general outlines of the composite demand and supply schedules which furnish the basis for all price determination. Landlord middlemen are in general of two classes: (1) Those who become landlords of the farms they have formerly operated and hence are doing their own retailing. These are the retired-farmer landlords. (2) Those who have bought farms with the intent to sell them at retail to tenants at least till they get a chance to sell wholesale to advantage. This class includes the bankers, merchants, physicians, and real estate agents who are dabbling in land as a side line, and also a small group of professional landlords who make this their principal means of earning a liveli-

hood. Professional landlords are likely to stay out of the business unless they can obtain a rather wide margin. Retired-farmer landlords, however, are not likely to ask for a wide margin. In many cases they were obtaining only a small return on their investment as owner-operators. Moreover, they know nothing so well as farming, and have few alternative uses for their services. Such landlords are likely to supply a large amount of middleman service at a low return. The speculating landlords very frequently ask for only a small return—they are looking elsewhere for their rewards. The same is true of those who are landlords for the sake of an avocation. The more of the landlords who are retired farmers, the lower the rewards of the marginal landlords. Apparently the reservation price of the marginal landlords in most places is high enough to take in a large proportion of the retiring-farmer class, but only a small proportion of the potential speculating and professional landlords.

The composite demand schedule for land to rent is made up from tenants' and farmers' sons and farm laborers aspiring to be tenants. The tenants' and farmers' sons who have saved or are supplied with several thousand dollars worth of property stand at the bottom of the schedule. They drop out of the class of demanders and become owners instead whenever the annual rentals asked suggest too large a middleman's margin. At the other end of the schedule are the farmers' sons and farm laborers aspiring to be tenants. But these too drop out whenever the margins are too large. They either remain laborers or may quit farm work altogether and go to town. The class which bids the highest consists of those who are half way up the ladder to ownership and do not wish to turn back. Tenants at this stage sometimes bid too high, lose money, and if they cannot make a better bargain, quit farming altogether. The reservation price of the marginal tenants normally includes all rents that will be paid by those who are already tenants who are not yet in a position to buy the rents that will be paid by a large number of new tenants who would remain laborers or go to town if forced to it by high rents, and also the rents that will be paid by a considerable number of old tenants who could buy farms if forced to it.

The matching of the landlords' supply schedule against the tenants' demand schedule as these two exist at the time gives us, if not a price point, then a general level of rents for that moment.

The foregoing explanation of how supply and demand operate in the case of rent, although true to the general facts, does not, however, meet with unanimous approval. The reason for this is that many landlords and tenants do not want a rent to be determined by supply and demand. The case is very similar to that of milk. Farmers, on the one hand, insist that milk prices determined by supply and demand are not always "fair" because they do not equal the "cost of production." Consumers, on the other hand, are likely to insist that the only "fair" price is the customary price, or perhaps a price just a little in advance of the customary price. In the case of rent, landlords are not always satisfied with the sup-

ply-and-demand price, because it does not always cover the increasing cost of land, taxes, upkeep of buildings, etc., and tenants are likely to declare any considerable increase in rents, even though it come from an increase in demand over supply, as unfair and unjust. Increases in rents are more likely to be condemned than any other increases. The reason for this is that the man who receives the rents is very frequently well-to-do and able to live upon his rents without working, whereas the tenant is a man who works long hours in all kinds of weather in order to get a start on the agricultural ladder. In spite of all our years of venerating private property in land, our people have never entirely reconciled themselves to the idea that one man, merely because he happens to own a piece of land, perhaps as a result of inheritance, has a right to a living out of the proceeds of another man's toil upon it.

The fact of the matter is that the supply-and-demand price very frequently is not a proper price, and this is true whether we are talking about rents or milk prices, and the reason for this is that competition is seldom entirely free. One reason that competition is not free is what is usually called economic friction. Milk producers are not free to change to more profitable forms of production when milk prices drop—they have too much capital, too much costly skill and experience, tied up in their herds and equipment. Similarly, tenants, as has already been pointed out, are not always free to buy farms whenever rents are high relative to prices of land. They may not have enough capital saved. Once tenants have started out to work their way to farm ownership, if they turn aside to new and more profitable occupations they will lose the advantage of all their years of experience and preparation for ownership. Moreover, in learning farming, they have in a sense disqualified themselves for other lines of work. Even if these things were not true, customary ways of doing and thinking have a tremendous potency in keeping people doing the same things over again. Custom and family ties make laborers and tenants bid more for land than they should so as to stay in their native communities. There are sections of Wisconsin where a homogeneous foreign population has bid rents and values of land so high that they are entirely out of proportion to the rents and values of similar land in other sections of the state. There are other influences of economic friction which lower rents. Landlords also suffer from economic friction. Sometimes they cannot sell their farms readily when rents are too low. This is especially true in England. For all these reasons, the supply of laborers or tenants may be abnormally high or low in any particular place at any particular time. The same is true of landlords, although in lesser degree. The result of all this is abnormal demand and supply schedules and abnormal rents, either high or low depending upon the particular combination of circumstances which maintains.

Another way in which economic friction affects rents is by keeping the right tenant from getting on the right farm. A poor tenant cannot pay as much rent for a good farm as a good tenant. A good

tenant who gets onto a poor farm may pay more rent for it than he should. If there were no economic friction all the good tenants would get on the good farms, and the poor tenants on the poor farms, and rents would be adjusted accordingly.

Closely allied to economic friction in this respect is bargaining. Where all the buyers and sellers get together in one place at one time and buy a standardized commodity, as upon the grain exchanges, then all pay the same price for the same grade of grain at the same time. Rental bargains are almost always privately made. There is chance for almost endless higgling over the quality of the land and improvements. The character of landlord and tenant are as important as the land. Nominal terms after all are not the real terms of rental contracts. A landlord may be better off renting for \$500 to one tenant than for \$1000 to another. For all these reasons, bargaining plays an important role in determining what rents any tenant shall pay and any landlord receive.

In transactions of this kind, the skill of the bargainer is all important. It is safe to conclude that the landlord is likely to have the advantage here because of his greater age and experience and knowledge of the farm being rented. The other factor in successful bargaining is bargaining vantage. Which party needs most to make the deal? If good tenants are scarce and farms for rent many, the tenant is likely to get the better of the bargain. Or if good farms are scarce, the landlord will have the better of it. If it is a matter of renewing a lease, the tenant is likely to bid more to save moving from a good farm than the landlord will bid to keep him. On a poor farm, the opposite may be true. Tenants who are short of capital are pretty sure to be placed at a disadvantage in bargaining. They frequently have to be satisfied with poorer farms than their ability as farmers warrants. In the matter of buying farms, the landlords usually have the vantage, because they have more capital, and can offer better terms of payment. One of the ways that landlords make money is by picking up farms at bargain prices or forced sales and then renting them till they can sell at a good margin. Bankers, lawyers and merchants are likely to become landlords because of their ready access to such bargains. As will be apparent, there are sections of the country where at any one time the bargaining odds are in favor of the landlords; and there are other places where the tables are turned. In the northern half of Wisconsin and Minnesota, the odds at present are surely in favor of the tenants. In most sections of the country, if there were more good tenants, there would be more landlords.

Custom also has its influence upon rents in many sections of the country. Whenever rents remain at somewhere near the same level for a few years, the people come to accept these rents as proper rents, to make their bargains unthinkingly in terms of them, and to insist that any other rents are unfair. Custom is bound to have most influence where rents and land values are most stable, as in the East and South. It will also be more effective where land is rented by the acre rather than by the farm, and where land is more

nearly uniform in quality. Rents in such cases tend to be expressed in round numbers, e. g., \$5 or \$6 per acre, and this means that they are changed only at considerable intervals, which gives a chance for the force of custom to accumulate. Custom is most effective where transactions are personal, as in the case with bargaining. Custom enters in such cases for the very reason that the weaker party seems to feel the need of it as a protection against the stronger. In such cases, there is an appeal to the customary thing as fair and just. Custom plays the smallest role where competition is most active. In times of flux, like the present, custom loses most of its efficiency.

Wherever there is economic friction or custom, some monopoly power is always possible. Landlords have seldom been known to get together as a class in common assembly and agree upon terms or leasing arrangements. They do, however, stick together pretty well on the terms which they have come to look upon as customary or as justified by changing conditions, and this sticking together is monopoly. By such means, they can raise rents to a point where tenants will buy instead of renting, or remain laborers, or move to a new section or choose a new occupation. All of these alternatives may involve a loss to the tenant, to escape which he may pay a smaller monopoly rent. Such monopoly gains are of course mostly temporary. However, as long as rural populations increase faster than the land can take care of them, a small constant monopoly advantage will accrue to landlords if they will pull together. Where landlords are at a disadvantage, however, tenants can reap similar advantages by concerted action. As with landlords it seldom happens that tenants meet and agree upon a common policy. This, however, is not necessary. In periods of rising prices tenants everywhere will all insist upon customary rents just as a matter of tradition. When prices are falling, landlords will insist on customary rents. Wherever the example of influential leaders is followed, the essence of monopolistic action is realized. Any campaign of education looking to common action by one class in their bargaining with another, is in effect monopolistic.

In periods of rapid change, contract rents are sure to differ widely from economic rents because rental contracts are usually made for more than one year.

The foregoing is an explanation of contract or market rent and the reasons why it differs from economic rent. Whenever competition is entirely free, when tenants and landlords are free to change at once when economic changes put them at a disadvantage, when landlord and tenant contract with each other, in complete knowledge of the land and the market, and each equally free to stay out of a deal, and when custom and monopoly are in abeyance, and contracts are made a year at a time, and when the right grade of tenant gets the right grade of farm, then the rents which are actually paid will be *economic rents*. But such conditions seldom, if ever, prevail. They will come nearer to it probably in the Corn

Belt than anywhere else, because more of the conditions of a free open market prevail here than anywhere else.

The extent to which market rents differ from economic rents is roughly indicated by Table I. At any one time in one place, economic rents ought to stand in fairly uniform ratio to value of land. The valuations placed upon the farms studied were estimates based upon the general level of land values in the communities. Errors in these valuations will account for some of the variations. Differences in ratio of buildings to land and location with respect to cities will account for some of the rest. Allowing for all these, however, there will still remain a wide margin of variation which can be accounted for only in the manner which has been explained.

TABLE I. NUMBER OF FARMS IN 396 CASH-RENTED FARMS IN SOUTHWESTERN WISCONSIN RENTING FOR CERTAIN PER CENTS OF MARKET VALUATIONS. (1917)

Per Cents of Market Valuations	Number of Farms
1.6—2.0	2
2.0—2.4	9
2.4—2.8	21
2.8—3.2	42
3.2—3.6	68
3.6—4.0	106
4.0—4.4	85
4.4—4.8	35
4.8—5.2	18
5.2—5.6	8
5.6—6.0	2

What evidence do we find in the general level of rents as to the effect of the foregoing economic forces? For the 396 farms in Table I, the cash rents paid averaged 3.8 per cent of the market valuations. The average cash rent of 1185 farms, worth \$14,375 each, rented in Wisconsin in 1917, was \$565, or \$3.89 per acre. This rent was 3.94 per cent of the market value. The average expenses of the landlords for taxes, insurance, grass and clover seed, upkeep and depreciation was \$142, or 1.49 per cent of the market value. This left the landlords a net income of 2.45 per cent of the market value. A more careful study of 45 farms in Wisconsin in 1914-15 gave 2.48 per cent as net income to landlords. Sixty-three cash-rented farms in Minnesota yielded their landlords a net income of 2.5 per cent on the market value.* Iowa studies made in 1912-1913 showed 2.3 per cent net income from cash-rented farms.†

The obvious conclusion from these data is that if anybody is enjoying any gains from lack of free competition, surely it is not the landlord. Yet this need not be the correct answer, for several reasons, as follows: First, it is usual in accounting to figure income

*Minnesota Bulletin 178.

†Iowa Bulletin 169.

on the basis only of the original investment, plus, of course, any later additions to the investment. The method used above involves figuring income not on the original investment, but on the original investment plus all increase in value since then. Increase in value and interest on investment are kept separate in all other accounting practice, and they surely should be in farm accounting if farm incomes are going to be compared with other incomes. Our public utility experts insist upon basing income and dates on cost of production rather than cost of reproduction. A 2.5 per cent net income on the market value of an average Wisconsin farm in 1917 is equal to a 3.9 per cent net income on the original investment in such a farm if bought ten years before. If the foregoing reasoning is sound, then the 2.3 and 2.5 per cent net incomes described above are fictitiously low.

The second reason is that interest on investment has not been the only gain from owning and renting land—there has been the rise in the value of the land, amounting in most of the Middle Western states to from 2 to 5 per cent per year ever since 1900. It may be urged that this is a very precarious item of income and that we have no right to bank upon it for the future. This may be so, and yet the rank and file of landowners of the country are evidently convinced that it is a reasonably certain income or they would not be buying and holding land capitalized at a rate of 2.5 per cent. If the rank and file conclude this way, then it becomes for the time being real value. Value is always based on estimates, and for the most part, on estimates of the future.

When we take all the foregoing reasons into consideration, it not only appears possible but probable that landlords renting for cash have been amply repaid for the middlemen services they have rendered, especially since these services many times have no important alternative. This does not seem to be a very adequate answer to the question raised, but it comes as near to an answer as is possible without an examination of the private accounts of landlords. Only the great dearth of good tenants able to pay cash rent has kept the numbers of cash-renting landlords as low as it is even at present rents.

How have tenants fared under these terms? On the 45 farms studied in Wisconsin, the tenant's net incomes averaged \$1000, including the value of the living furnished by the farm (rent, fuel, etc., estimated at \$400). The Minnesota studies showed tenants' net incomes amounting in one survey to \$600 and in the other to \$1100, living from the farm being included in both cases.* These net incomes were very similar to those made by the farmers then operating their own farms in the same neighborhoods, when interest on investment was deducted on the same basis as on cash-rented farms.

Now that prices of farm products have risen to new levels and land values have followed part of the way after them, how should

*Minnesota Bulletin No. 178.

cash rents be adjusted to fit? The first answer to make is that these changes do not necessarily require any rise in rents. So far as land values are concerned, there is no necessary direct or proportional relationship between them and annual rents. Each year's rent is a thing in itself and is based on the probable surplus of receipts over expenses for the year. This surplus will depend upon whether prices or expenses have risen the most. Prices of farm products in the United States have risen 130 per cent since 1915. If a rise in prices were to affect everything exactly as it has affected prices of farm products, then rents could of course increase 130 per cent, as is shown in the Table II, for landlords' and tenants' incomes would be in exactly the same proportion as before. What has actually happened is that wages of farm labor in the North Central States have risen 75 per cent. Machinery costs seemed

TABLE II. FARM RECEIPTS, EXPENSES, ETC., IF ALL INCREASED AT THE SAME RATE AS PRICES OF FARM PRODUCTS.

Year	1915	1919 (at 130% increase)
Value of farm	\$10,000	\$23,000
Receipts	2,000	4,600
Expenses	1,000	2,300
Net Income	1,000	2,300
Rent	400	920
Tenant's Net Income	600	1,380

low as long as farmers were able to get along with old machinery bought when prices were low. But now the time has come when farmers must buy new machinery and buy it at prices that have more than doubled. Prices of supplies used on farms advanced 78 per cent from 1914 to 1918, and proportionately more in 1919. During 1917, 1918 and 1919, tenants were undoubtedly able to pay much higher rents, and most of them did, especially in sections where certain high-priced cash crops were grown.* But what about 1920?

Prices of farm products may begin gradually to subside at any time. Wages of farm labor are likely to continue to rise, and likewise machinery costs and supplies for some little time yet. None of these things are certainties, but all are probabilities.* In view of these probabilities, tenants cannot safely offer rents in 1920 which are in proportion to the prices they are now receiving for their products. If they do, they will be selling their own labor for less than they are paying their hired men.

The rents paid, however, at least for the next year or two, can

*Indices of gross farm incomes for Minnesota, from 1900 to 1919, based on the value per acre of crops and livestock, are as follows: 1900, 53; 1910, 55; 1911, 49; 1912, 50; 1913, 58; 1914, 54; 1915, 59; 1916, 68; 1917, 115; 1918, 133; 1919, 120. Note that 1918 gross incomes were 2½ times those of 1919. Farm wages had increased only 83 per cent up to 1918. In 1919, gross incomes fell off 15 per cent, and farm wages in Minnesota increased 14 per cent.

safely be enough higher than in 1916 to recompense landlords for their higher taxes, upkeep costs and building costs. These are part of the expenses of operation on owner-operated farms, and must be covered by increase in receipts or else farm incomes and land values will decline. They must therefore be covered by higher rents on rented farms or else tenants will be getting larger incomes, or else values will decline.

In the table above, land values appear as increased in the same ratio as farm prices. As a matter of fact, this has not happened. Even in the most land-frenzied part of Iowa, land values increased only 67 per cent on the average between 1915 and August, 1919, while prices of farm products increased 130 per cent.* On this basis, if the farm in Table II were an Iowa farm, its value would be \$16,700 instead of \$23,000. The reason for this is that land values are based on future as well as present uses of the land. Even in Iowa, farmers are not expecting future incomes to be as high as incomes have been in the past three years. Present rents are therefore out of proportion to present land values. A rent of \$920 is $5\frac{1}{2}$ per cent of \$16,700. This need not continue, however. If prices and wages ever get back somewhere near to old levels, it may prove that even the \$16,700 valuation is not justified and the landlord will have to take much lower percentage returns. If prices and wages do not go back to former levels, then land values will presently rise to \$23,000 and the landlords will be getting the same return on their investments that they received in 1915.

It is hard to get the full significance of the fact that land values are based on future as well as present net incomes. In some sections of the country, people confidently expect future incomes to become larger as time goes on. Here land values are higher than present incomes capitalized at going rates of interest. In other sections, people are expecting smaller future incomes, and land values are lower than present incomes capitalized. If future incomes promise to be the same as present incomes, then a farm earning a net income of \$5 per acre is worth \$100 per acre if interest rates are 5 per cent. If, however, it is confidently expected that net incomes will rise 10 cents per acre each year, then the farm will be worth \$40 plus \$100, or \$140 per acre. If it is expected that net incomes will fall off 10 cents per acre per year, then the farm will be worth \$40 less than \$100, or \$60 per acre.* In the first case,

*Paper of Dr. L. C. Gray, read before the American Farm Economic Association, November, 1919.

*Let V = value of land; a = annual net income; r = rate of capitalization; i = anticipated annual change in net income. Then

$$V = \frac{a}{r} + \frac{i}{r^2} \quad \text{E. G., } V = \frac{\$5}{.05} + \frac{\$.10}{(.05)^2} = \$140$$

There seems to be much confusion prevalent as to the future element in land values. Some economists would call the \$140 land "overvalued." What they mean is either that it is valued at more than present net incomes warrant, or at more than future incomes will probably justify.

cash rents will be 5 per cent of land values; in the second case, 3.6 per cent; and in the third case, 8.3 per cent. The second case described conditions in the West and Middle West; the first and third describe conditions, at least until recently, in the East and South.

It will be apparent from the above analysis that a change in land values in itself can never be used as an argument for a change in rents. There is no definite ratio between rents and land values. Rents must be based on each year's prospective net incomes. Landlords will have their estimates as to these prospective incomes, and tenants will have their estimates. The actual rents finally paid will be determined by competition, bargaining, etc.

The other element in cash rents is the pay for the landlord middle-man's services. This must be enough to call forth the necessary number of landlords. Obviously there is no way to calculate in advance what this amount must be. Each landlord, however, will have an idea as to what he wants, and each tenant as to what he is willing to pay. Competition, bargaining and the other price-making forces must do the rest.

Suggestions are frequently made as to determining "fair rent" according to various schemes, usually "cost-of-production" schemes. Obviously no cost-of-production scheme will work very satisfactorily because we have no way of calculating two of the most important elements in rent, namely, "cost" of the land, and "cost" of the middlemen service. The usual method of computing cost of land will not do, because it requires us to assume a rate of capitalization (usually 5 per cent has been assumed and this begs the whole question. To resort to the prevailing rate of capitalization for the community (3.95 per cent in Wisconsin in 1917, landlord paying taxes, etc.) may help as between different farms, but will tell us nothing as to the fairness of the prevailing rates.

Perhaps a statistical method can be devised that will be of some service. Statistical studies would probably reveal certain ratios between prices of farm products, rents, land values, wages of farm labor, taxes, maintenance, etc., which for a period of years sufficed to keep up the necessary supply of landlords and tenants. Using these years and these ratios as a basis, indices might be constructed which would roughly indicate necessary rents at any given time. A difficulty with such a plan is that either last year's prices, wages,

Whichever they mean, they are misusing the term value. Land, being a fixed good, cannot escape having its value based on an uncertain future. That future will create a net income for it which is bound to be something different, either more or less, than present income. Not one iota more of merit attaches to the assumption that the future income will be the same as present income than that it will be a half more than present income. The value which is based on an assumption of rising incomes is therefore just as real a value as one based on the assumption of present incomes perpetuated. "Overvaluation" is therefore impossible. This of course does not mean that it is improper to believe that land valuations may be based on too ardent hopes.

etc., would have to be used, or else the amount of rent settled at the end of the year.

A makeshift for the above might be to assume that the reward for the landlord's services and most of the smaller items are constant and adjust rents on the basis of prices or value of crop and wages. For example, it might be agreed that the rent finally paid was to be so many per cent more or less than a certain amount according to the percentage which the value of the crop was of a certain stipulated value, and also more or less than this amount according to whether wages of labor were more or less than a certain stipulated rate. Such a plan would of course be hard to work out under diversified farming.

Unless some such plan as the foregoing can be devised, rent will have to be settled by competition, with all of its obvious shortcomings, or else by collective bargaining between landlords and tenants. No successful collective bargaining is possible, however, until some satisfactory basis can be devised upon which to conduct the bargaining.

In the discussion thus far, share rent has been left out to make the explanation simple. Share-rental terms and agreements are just as truly prices as cash rentals are. As prices, however, they have certain decided disadvantages. First, one cannot figure very closely or very accurately in making a bargain over what each is to furnish and what share each is to receive. Second, one does not know definitely the value to him of each of the terms of the lease. Third, the terms are applied with a great deal of uniformity without regard to differences in farms, farmers, and landlords. Fourth, custom and monopoly have a much better chance to get in their work with leasing arrangements than with cash rentals. It is relatively easy for landlords or tenants to come to a common understanding among themselves with respect to terms of leases.

There are two theories which farmers advance as to how the different expenses should be divided under share rent. One theory is that the only safe and proper way is to find out what is the custom in the neighborhood and follow it. The other theory is that the expenses should be arranged to suit the particular parties and the farm to be worked, the ideal being that the expenses are divided in the same proportion as the income.

The usual justification for the first theory is that the prevailing terms of share leases represent market valuation the same as do cash rentals, wages and prices of farm products, that these terms have been determined in the past in fair competition between landlord and tenant on the basis of supply and demand and therefore represent justice between them. It is true that farms vary greatly in quality, but so do tenant farmers. If the good tenants get the good farms, as is likely to be the case, and the poor tenants get the poor farms, then justice is achieved even in such cases. The landlord is making a poor land contribution, but the tenant is making a poorer management contribution. Another argument advanced in favor of this method is that it protects both parties by saving

them from being taken advantage of by the other party when that party had the whip hand. If either party allows the other to deviate from the custom, there is no telling where it will stop. Also when there is a standard recognized way of handling farm expenses, every one knows about it and there are fewer misunderstandings.

The arguments against always following the custom of the neighborhood are as follows: (1) Competition does not in actual practice make proper adjustment for differences between farms, landlords and tenants. Farms vary greatly in fertility, improvements, and location. In any one locality, on some farms the crops to be grown are largely of the labor-consuming kind, like corn; on others, they are mostly hay and small grain. The cattle furnished by landlords and tenants vary greatly in quality. Since both landlord and tenant contribute to management, the relative efficiency of the two is a matter of great importance. It is highly improbable that competition can make adjustment for all these differences by getting the right tenant on the right farm. (2) Customary arrangements do not adapt themselves rapidly enough to changing conditions, such as changing prices, wages, and systems of farming. In times like the present, this is a matter of great concern. The general basis of value for all these contributions is their prevailing market value. These market prices, except for certain relatively unimportant temporary elements in them, due mostly to economic friction, may be considered as necessary prices to induce tenants to farm and landlords to own land to let. But for many of the items mentioned, no market prices are available. As already pointed out, to allow 5 per cent on the market value of the land is begging the whole question. Another plan which is useful for some purposes is to allow a cost-charge equal to what the farm would rent for at cash rent. In this case, this would amount to assuming that the prevailing cash rent represents a proper division between landlord and tenant. If cash rent is used as a basis, proper adjustments will need to be made for certain expenses which are paid sometimes by the tenant under various types of leases. The usual basis for computing the value of the farmer's own labor is to ask what the farmer could hire out for as a plain hired man, with board and lodging furnished, and add an allowance for that part of his board which is not furnished by the farm. This, of course, is a very hypothetical value. The tenant's management must also be paid for. How separate the labor from the management? Most of the managing is done along with the manual labor. The day's work is planned while the cows are being milked. To separate the charges for the farmer's labor and management is therefore a problem in joint costs, like distributing the rent of land between two crops grown on the same land the same year, or in a three-year's rotation scheme, or like distributing the cost of keeping a brood mare between crops and colt. In fact, it is more difficult than either of these.

The method in general use for obtaining management charges

is to allow to it the residuum after subtracting all the other cost charges from the gross farm income. The results obtained by this method have usually been preposterous, because the various charges have been miscalculated. The cost of the land has usually been charged at 5 per cent instead of about $2\frac{1}{2}$ per cent. Family labor has been charged too high. The value of the living the farmer obtains from the farm has usually been left out of account. The results obtained by such methods have usually shown management working for less than nothing on the average farm.* Obviously such results are valueless. But if landlords' and tenants' incomes are to be adjusted according to what each contributes, the charges for the farmer's labor and management must be separated, for one party furnishes the labor and only part of the management, and the other party, the landlord, furnishes the rest of the management. Moreover, the amount and quality of management furnished by each must be measured. The differential for wages of management even in agriculture is enormous. Frequently a tenant whose management has a negative value is matched with a landlord whose management is worth a thousand dollars or more a year. Our attention is frequently called to landlords who graduate a new owner every few years. These landlords are furnishing their tenants with high quality management. Other tenants furnish management worth greatly more than their landlord's. In some cases, something like a market value for the tenant's share can be obtained by combining his labor and management and finding what the two together could be hired out for; but as for the value of the landlord's management, the case is hopeless. Therefore the plan of adjusting the shares and expenses according to particular situations is exceedingly difficult to work out accurately.

*The following table presents in the first column the results of typical surveys made in the North Central States from 1913-1915, and in the second column presents results such as might be obtained by the method suggested. If management is to be the residual claimant, then all the other charges must be carefully calculated. The usual results show management working for nothing. The suggested method shows the farmer's management earning more than his labor.

	Usual Method	Suggested Method
Value of farm	\$12,000	\$12,000
Value of working capital	2,630	2,630
Gross receipts	1,600	1,600
Value of living from farm	-----	400 (estimated)
Gross income	1,600	2,000
Farm expenses	430	430
Farm income	1,170	1,570
Interest at 5% on value of farm....	600	300 (@ 2½%)
Interest at 5% on working capital	132	132
Family labor income	438	1,138
Value of unpaid family labor (est.)	183	150 (estimated)
Operator's labor income	255	988
Value of farmer's labor (est.).....	450	450
Wages of management	195	538

The tendency will be for those who try to adjust share-rental terms on this basis to rely upon averages, upon average wages of hired labor and average labor incomes; but such averages have no value unless the original data are correctly analyzed. Thus far, few proper computations of earnings of management on farms have been made. Even if correctly made, however, any landlord or tenant is justified in refusing to enter into a bargain based upon them, that is, if he can show that he is furnishing more than average management. No tenant who is a good manager can long afford to rent at share rent under the usual terms.

The value of the living obtained from the farm must also be reckoned if share-rental terms are to be adjusted on the basis of income and contributions. No studies have been made recently enough to be of value in this connection. Moreover, the value of this item varies greatly with the size of the tenant's family, the size and quality of the house, fuel, orchard, etc.

So far as I know, the only attempt which has been made to figure out shares and expenses is in Minnesota Bulletin 178, "Farm Tenancy and Leases." This bulletin advances the proposition that each party should "share in the products of the farm in the proportion that he shares in the cost of production," and then figures out the proportion that each contributes to production leaving management entirely out of account. As we have shown, management is usually a far larger item of expense than the farmer's labor. And we have no way of placing a value on the landlord's part of this management. The data in the bulletin are probably also at fault in the matter of charges for family labor.

The nearest approach to what is needed would be to have the tenant and landlord agree in advance as to a value to be placed on each of the following items—rent, wages of family labor, wages of labor and management of the tenant, wages of the landlord's management, and value of living obtained from the farm, and interest on working capital and depreciation. In settling up the year's business, the cash expenses could be added to the foregoing, and either the farm income divided according to expenses, or expenses divided according to an agreed division of income. Ordinarily an inventory would not need to be taken, because each would share proportionately in the increase.

Such a plan as the foregoing may seem too involved for most circumstances. Following are two plans which are compromises between the above:

1. Follow the custom as far as possible, and when not possible make allowance for it in some other part of the lease. For example, if free firewood for the tenant is the custom, and the farm has no firewood, the tenant can be given all the poultry, or a larger share of the poultry receipts. If the farm is too poor to rent well, the tenant can be given other advantages. Differences of this sort can if necessary be settled in actual cash at the end of the lease.

2. Count the tenant's labor and management, family labor and

hired labor, and interest, taxes, depreciation and upkeep on his equipment, as equal to the landlord's management, interest, taxes, upkeep and depreciation on real estate and equipment. Divide the other expenses half-and-half, by estimating their amounts in advance, or by settlement afterwards. This plan would be more commendable if provision was made for distributing the hired labor charge between landlord and tenant, for it would give the tenant the full benefit of all the extra labor he hires.

Another difficulty with share leasing systems is that, contrary to the usual opinion, they do not adjust themselves to changing conditions. In a period like the years from 1915 to 1919, share tenants had much the better of the bargain, because the prices for their products advanced much more rapidly than the wages of labor. It is quite likely that in the years just ahead the tables will be reversed.

Collective bargaining with respect to the terms of share leases has been undertaken in a few cases at landlord-tenant conferences. At such conferences landlords and tenants agree upon certain arrangements which both accept as fair and just. Some attempt is made to readjust these terms to suit changing conditions, but on the whole the plan followed is to maintain the best of the old terms and arrangements. Such conferences are highly desirable. They may perpetuate some arrangements that are no longer in accord with competitive forces, but after all, good farming and good management and right relationships between landlord and tenant will add more to incomes of both than a better division of income will add to either.

DISCUSSION OF MR. GREGORY'S PAPER

B. H. HIBBARD, Univ. of Wis.

That tenancy is undesirable when it reaches such high proportions as are already to be found in many parts of the country is beyond question. Since it is undesirable some sort of measures should be taken to prevent its further increase or even to reduce it. With the spirit of the writer of the paper we are all in accord. We agree that the tenant should not lose his improvements, that he should be induced to take an interest in the affairs of his community, and that he should be both encouraged and enabled to purchase land.

However, it does not follow that there is but one remedy for the conditions which we deplore, and from the speakers' program of reform we are obliged to dissent. With count one it hardly seems wise to use the term "strictly limited." Why not say "limited," since the qualifying word requires a decision as to amount which probably we are as yet hardly competent to make. To restrict the size of holding by direct legislation would be drastic and probably unwise. It would have to run a hazardous ordeal in the courts and the chances are that the people wanting the reform would have a hard time agreeing on the wording of a bill. The alternative of-

ferred, that of progressive taxation, is free from most of these objections. It does not undertake to say just how large holdings shall be, but does exert a genuine influence in keeping the size down.

Number two of the proposed remedy, viz, the prohibition of ownership of land by non-residents has two fatal defects. It is impossible of accomplishment, and undesirable were it possible. To begin with, we would never agree on a definition of a non-resident. Does he live in the next county, or the next state? Is an owner a non-resident who lives within fifty miles of his land, and a resident if it be but forty-nine miles? More fundamental is the character of the landlord than the distance between him and his land. As in other instances the case should be judged by its works rather than by a tape line. Such a revision would be revolutionary and in all reason would be resented by property owners in general. Of course, if it were desirable legal difficulties should not be allowed to stand in the way.

As to the third count, it would seem much more desirable to provide local facilities for supplementing the federal farm loan system by local means rather than increasing the proportion of total farm value granted in a loan. The local lenders should be able to pass better judgment on the value of the property and so keep them within bounds.

There is a logical reason why a man who never intends to work a farm should own one. The reason is that the right to own any property is free so long as the public interests are not thereby jeopardized. The ownership of land by a retiring farmer is the most natural arrangement imaginable. But nature does not give it the sanction in which we are interested. If such ownership is socially detrimental it must go. The ability of such an owner to exploit others is the criterion. In the main it hardly seems that such can be done by the man who owns a few farms. In about half the instances of tenancy in three districts in Wisconsin, the tenant is a relative of the landlord. In the majority of instances as reported in surveys thus far made the landlord makes a smaller return on his investment than the tenant makes on his. This does not, however, include increase in land values in the landlord's income.

If the objectionable features can be taken out of tenancy, and they do not appear impossible of reform; if rents do not rise to a figure beyond reason, and for the most part they have not; if landlords do not rule the community, and usually they do not; if, in other words, tenancy can be kept within bounds both as to quantity and quality, it is hard to see why it may not continue as a desirable means to ownership. Farmers do not spring full fledged from the parents' homes. They begin with little capital. Why they should not hire land as well as capital requires explanation. That the system demands some attention is clear. We should see to it that every aspiring tenant should have a full and free opportunity to become a farm owner. To this end tenant rights should be defined and safeguarded. The state no doubt might well

enter the field of real estate agent and buy land for re-sale. It by all means is exercising a legitimate function in providing funds at reasonable rates for financing farming. If added to these measures, carried to their logical conclusion, a progressive tax could be used to discourage great landlordism it would seem that the results ought to be gratifying. At all events why not try out these reforms instead of flying in the face of the progress of generations and applying revolutionary remedies to the institution of landed property?

DISCUSSION OF PAPERS ON TENANCY

L. C. GRAY, Division of Farm Management and Economics
Washington, D. C.

I am much interested by the suggestion that the Farm Loan System does not adequately supply the credit needs of tenants and other landless persons. This has been generally recognized for some time. Indeed, the Division of Land Economics of the Office of Farm Management is now engaged in a study of the extent to which the Farm Loan System has facilitated the acquisition of land by these classes.

It is unquestionably true that some better means of financing second mortgages needs to be provided. It should be realized, however, that sellers of farm lands frequently provide very liberal credit terms in order to facilitate the purchase of the land, especially when the price is favorable to the seller. The recent study which the Division of Land Economics has been carrying on in the State of Iowa has illustrated this fact. It was found that about one-fourth of the sales investigated involved a second mortgage which averaged a little over 30 per cent of the sale price. It was also found that the rate of interest on second mortgages was not materially higher than on first mortgages, indicating the tendency to grant fairly liberal terms in order to effect a sale.

I admire the boldness with which Mr. Gregory presents his program for dealing with the problems of tenancy and absentee-landlordism. We all realize that Economists are likely to see so many phases of the subjects they study that they are ultra-conservative in proposing remedial policies. However, it seems to me that the suggestion that persons other than farmers be prohibited from owning farm land is too drastic. The question may be raised, Why do not a larger proportion of tenant farmers become landowners? The reason is that they do not have the means of purchasing a farm at the prevailing high prices for farm lands. Twenty or 30 years ago in the Corn Belt a farm could be purchased for an initial payment of from one-fourth to one-half of, say, \$5,000. Now the purchaser must have these proportions of \$4,000 or \$5,000 in order to rise into the ranks of farm owners.

It should be recognized that absentee-landlords are making it possible for tenants who desire to farm to acquire the land on the

basis of paying the annual value instead of having to assume at once the present value of the indefinite series of annual values. The legislation proposed would be equivalent to prohibiting persons from acquiring the use of land as tenants, for, as no one can own land who does not farm it, conversely no one can farm land who does not own it.

It is true that much can probably be done by way of improving credit terms so that farmers who desire to purchase farms can do so on a smaller initial payment. However, we should not lose sight of the fact that a farmer is not always better off who incurs heavy mortgage indebtedness with a small margin of capital as contrasted with employing his capital as a tenant. From some standpoints his position is likely to be very much more precarious in times of changing prices and uncertain crops if he has assumed the fixed obligations involved in heavy mortgage indebtedness than it would if he had merely assumed the obligation to pay annual rent, especially on the share basis.

It will of course be obvious that this does not do away with the existing tendency for tenancy to result in inferior methods of farming and a wasting of land resources. However, it seems to me that we need to retain the benefits of a moderate amount of tenancy and at the same time to improve the system of tenancy so as to eliminate these serious objections.

I should not care for my remarks to be interpreted to indicate that I do not recognize the seriousness of absentee-landlordism. Indeed, I believe measures can be devised that can gradually reduce the extent of this and mitigate the evils. I merely mean to point out some of the dangers in the drastic policy suggested by the author of the paper to which I have referred.

DISCUSSION OF PAPERS ON TENANCY

THEODORE MACKLIN, University of Wisconsin.

The discussion of tenancy and farm credit presents two points upon which there is very little adequate information. Land marketing may be developed for the sake of rendering the necessary transfer services from retreating farmers or owners to prospective or newly enlisted farmers, or it may be promoted for the purpose of gaining maximum profits from the marketing business. These two objects, in practise, react very differently upon land valuations. And certainly there appears to be a very close connection between land valuations, the rate of investment turnover, and the extent of tenancy. Naturally the credit facilities tend to mitigate or complicate the difficulties presented by high valuations.

The facts obtained in a recent Kansas Experiment Station Investigation throw some light upon this problem in the way of suggestions. The tabulations show that 2533 farmers who own their farms have been owners for an average of 19.1 years. Making allowance for the fact that the number of young farmers recently acquiring farms is greater than for the older groups, it is likely

safe to assume that the average duration of farm ownership in Kansas, during a period of 40 years, is approximately 25 years. Thus each farm is changing ownership about four times in 100 years.

If we consider next the data regarding duration of the hired man step, and the tenant step it is found that in the period before 1875 laborers served as such for 4.2 years, while in 1915 to 1919 they served as laborers for 5.5 years. The increase in the hired man step during 40 years was therefore less than 32 per cent. The men who served as tenants in the period before 1875 did so for 4.1 years while in the period 1915 to 1919 the tenant step covered 9.4 years. Thus the length of the tenant step during 40 years has increased over 129 per cent. The increase of the tenant step, which so largely hinges upon land values, has been more than four times that of the hired man step, which is regulated more nearly by the task of acquiring minimum tenant operating equipment. With the increase both of the hired man and the tenant steps it is not surprising that the age at time of gaining farm ownership should have increased from 20.9 years before 1875 to 34.7 years for the period 1915 to 1919. This represents a postponement of ownership for 13.8 years, within a forty year period.

The problem as outlined by these facts is certainly becoming more and more acute. If dealing in land is to be considered as a marketing service then certainly adequacy of service and lowering of the costs of the service should be emphasized. Development of land middlemen services to gain what the traffic will bear, even under competitive conditions, has in the past hardly resulted in the conditions which are rapidly coming to be recognized as essential to the progress of a permanent American agriculture and of healthy rural development. Those reform suggestions which have been made call for increased credit from sources such as The Federal Farm Loan System, which is already in operation, with a view to enabling young men to buy at an earlier date. Proposals to modify the Federal Farm Loan System and permit the lending of from 60 to 90 per cent of the value of farms overlook the considerations of safety and of responsibility whether of an individual or of a community character, in spite of their importance in any extensive, practical plan of financing farmers.

What the country needs is some plan of credit arrangement to supplement the Federal Farm Loan System, which now takes the first mortgage, by adding a system which will lend money on second mortgage or character and determine character as the basis for proper selection of those to whom credit is to be granted.

In order to present a clear understanding of this criticism let us use as an example a Kansas farm community. Call to mind, if you will, as nearly as possible, the needs and responsibilities of both the community and its several individuals. With this as a background critically examine, if you please, any proposals to provide supplementary credit arrangements that might improve

upon proposed enlargements of the percentage loan now given by the Federal Farm Loan System.

Roughly speaking this Kansas community comprises a territory of 100 square miles embracing 250 farms. Of the 250 farmers located in the community 40 per cent or 100 are tenants while 60 per cent or 150 are occupying owners. If there were no tenants, and if owners retired from farming after 25 years of farming as land owners, each farm would change hands four times in a century on an average. Thus each year this Kansas community would find 10 farmers retreating and leaving an opportunity for each of 10 young men to fill. If the 250 farm families averaged only four children per family of which two were boys there might then be 20 young men aspiring to only 10 opportunities. If retiring farmers were enabled to sell immediately, thus averting tenancy altogether, only half of the available men could receive opportunities, assuming that farms remained constant in size. Hence some sort of selection would occur in determining which of the given two are to obtain a certain farm. The character of this selection, whether the more capable, energetic, ambitious person is retained for the farm is vital alike to the community and to American agriculture.

When retiring farmers retain ownership of their farms after ceasing to cultivate the land themselves, tenancy is unavoidable. The length of the tenancy step is directly occasioned by the inability of young men to finance or otherwise obtain ownership of the farms owned by those not cultivating them. If the inability to purchase is due to inadequate cash and credit and this can be overcome by the young man in one year's time as a tenant, tenancy would amount to only four per cent. If on the other hand it takes about 9.4 years for the young man as a tenant before he can move to ownership tenancy would approximate four times 9.4 or 37.6 per cent as it practically did in Kansas in 1910. To check on this, the data gathered by the investigation indicated that the tenant step in the period 1880-1885 took about 5 years, so that one would expect to find the percent of tenancy at that time about 20. In 1880 it was actually 16.3 per cent and in 1890, 28.2 per cent, so that 20 is a very close approximation.

In the absence of factors other than mere lack of cash or credit, virtually all of tenancy could be eliminated, provided a system were designed to effectively supplement the Federal Farm Loan System by selecting the best men and lending them funds on second mortgage. The agency lending funds from a distance upon its own responsibility cannot safely go beyond a first mortgage limit of credit. To provide the machinery for safe lending beyond 50 per cent of valuation would require an overhead expense that would become prohibitive.

Reasonable solution of the tenancy problem will probably find it necessary to rely upon the local community to render the services of character selection and handling of second mortgage funds. It is the local community and not the long distance agency that gains by having an energetic capable man retained as farmer and owner

of each farm that requires a shift of management. The same community profits most by the maintenance of soil fertility, the creation of marketing organizations, improved social relations, churches, good roads and all of the other assets promoted by owners but usually forgotten by tenants. For these reasons, if tenancy is to be alleviated by a credit system, as far as that may be effective, the local community must awake to the fact that all that can come from the distance is already provided. It must realize that what remains to be done must come from its own sense of responsibility, public interest and ambition for its own home-reared young men.

Taking our Kansas community again for illustration, the value of 10 farms changing hands each year would be about \$30,000 each or \$300,000. Since the Federal Farm Loan System provides about \$150,000 on first mortgage the local community would need to provide for the remaining \$150,000 less whatever amount the buyers were able to pay down. Taking the minimum average deposits of farmers, ranging from \$600 to \$700 in one Kansas community, 240 farmers have from \$144,000 to \$168,000 continuously on deposit at very low rates of interest if any at all is paid. If reasonable interest were paid deposits would vastly increase. To start such an experiment almost any community of farmers has adequate funds. A state authorizing law would be required however, to permit farmers to combine savings for such a program. Once started the local organization could attract the savings of retired farmers and others, thus diverting funds from being invested in land to that of investment in reliable bonds. The money thus secured would aid in making, of new farmers, permanent occupying owners. The funds would then create new assets for the community, instead of contributing, as at present, to the bidding of land values to a point far above the immediate productive worth of land. Excessive land values mean high taxes to owners with few, if any, advantages to offset this liability. Each new occupying owner on the other hand intensifies the interests of the group and contributes to the general welfare of the locality. The cost of reducing tenancy evils by some such program as this is small compared with the great benefits which can be developed. Certainly local knowledge and contact is required to make possible effective selection of merit or to warrant safe lending on second mortgage. For these reasons it would be inadvisable to urge that the Federal Farm Loan System lend a higher proportion of farm valuation or to attempt to engage in a second mortgage business.

DISCUSSION OF MR. GREGORY'S AND MR. BLACK'S PAPERS ON TENANCY

ALEXANDER E. CANCE,
Massachusetts Agricultural College

Let me add just a word of testimony on two matters. First, with regard to making loans up to 80 per cent of the farm value. As a policy by federal land banks I do not think this should be advocated. Money for federal farm loans depends on the sale of federal bonds secured by farm mortgages. The safety of these bonds should be utterly unquestionable. They must be secured by first mortgages of diamond bordered security. On the other hand local banks should find second mortgages on these properties quite good enough for loans of 25 to 40 per cent of the federal appraisal even if the first federal mortgage amounts to 50 per cent of the value of the land and 20 per cent of the improvements. The first mortgages are for 36 years, usually; the interest rates are reasonable, payments should not be burdensome, insurance and improvements must be kept up, moreover the appraisal has been carefully made by capable federal appraisers; supervision of the property security by government agents is continuous. No better second mortgages are offered and some first mortgages are less desirable.

In South Carolina some loans have been made to purchasing tenants in second mortgages to local banks equal to 50 per cent of the appraised value. The first mortgage loan has been made by the federal land bank for a full 50 per cent of the land value on the usual long time, low interest rate, amortization terms. The local bank on the same time and terms and sometimes at the same rate (not exceeding one-half per cent higher) has loaned an equal sum on a second mortgage. I am acquainted with some authentic instances. Doubtless this large percentage on a second mortgage is exceptional and is based to some extent on the personal integrity and character of the borrower, but it is interesting as indicating the tendency of tenant loans in that district.

The Columbia South Carolina Federal Bank, I am informed, is endeavoring to encourage local banks to take the second mortgages of approved tenant clients on terms which the federal bank dictates and approves. As indicated the second mortgage business is a matter for local bankers who know both the material security and the character of the borrower rather than for federal land banks. Fifty per cent is perhaps too high but thirty per cent may be loaned in many instances on second mortgages.

As to the Measure of Farm Land Rent

We have very little renting of farm land in New England, but in the onion and tobacco district of the Connecticut Valley the percentage of tenancy is somewhat higher than the New England average. I have been interested to observe that the rent paid in this district somewhat closely approximates the pure economic rent to which we have been accustomed in theory.

This section has a limited amount of land suitable for onion growing or for tobacco growing. Most of the suitable land is already in use for these respective crops. Onion growing requires about three acres of land per person, perhaps ten acres per family. Very little capital equipment is required, horses, tools or buildings. The crop is expensive in labor and fertilizers. Both may be obtained partly on credit. A renter usually bargains for the exact amount of bare land he needs and uses it all for his crop. The yield of onions runs from an average of 400 to about 800 bushels per acre and the price of onions from \$1.00 to \$3.00 per bushel. Land rents run from \$25.00 or \$50.00 or more per acre. Capitalized this would mean \$500 to \$1000 per acre. Some land sells for \$500 per acre but much sells for less. It must be said however that few sales of solely onion or tobacco land are made. Most tracts contain a good deal of land unsuitable for either of these crops.

When land is rented on shares the plan is the usual half and half plan from fertilizer to sacks for holding the harvested onions. In a favorable year the share rent landlord has a wide margin of profit over the cash tenant landlord. There are large possibilities of speculative gain both on account of season and of price which is fixed by competing areas. Doubtless the cash rents include a certain element of these prospective gains which the renter prospectively is likely to divide with the landlord. Subtracting this element and considering only land that can be utilized for tobacco or onions and the value of land is approximately equivalent to 20 years rental.

REMARKS ON TENANCY

GEORGE THOMAS, University of Utah

I do not believe at present we have sufficient information upon the tenancy question to begin to dogmatize. Our country is so large that what may be true of Iowa or Illinois may not be true of other states. In Utah the tenancy question turns principally around the sugar beet industry and this has to do primarily with the Japanese. Sometimes they run the land entirely and operate it themselves. Other times they form a joint arrangement with the owner of the land, the owner agreeing to do the team work and the Japanese the hand work on a certain ratio of the income of the beets, or on a stipulated amount. The Japanese seem very well adapted for this industry and just at present the sugar industry is of vital importance to the United States.

In reference to the discussion that has taken place on the Federal Farm Loan Act, I might say that my experience and study has led me to the conclusion that the act itself as at present arranged, has not done a great deal to promote agriculture only insofar as it has supplied cheaper money to well-to-do farmers who might have gone to the bank and secured an equal amount at a slightly higher rate of interest. It is, however, a praiseworthy undertaking and naturally the first steps would be halting and not always well directed.

The act will eventually have to be modified so as to assist in the development of agriculture and to take care of the men who have good ability and opportunities even if they are not yet financially in a good condition. I would not, however, abolish the act, but with the experience that is accumulating, modify it to meet the needs of the country.

REMARKS ON TENANCY

E. D. CHASSELL, *Sec.-Treas., Farm Mortgage Bankers Association of America.*

It seems to be popular now at agricultural meetings to express regret at the shifting of the majority of our population from rural to city homes. It is maintained that our national life would be improved, the prosperity of our people increased and the happiness of our citizens intensified if the tide of population from country to city could be turned back and the percentage of rural population increased to that of 75 or 100 years ago. Numerous idealistic, educational and legislative plans are suggested for overcoming the drift to cities.

Human nature is not readily changed. Yesterday, today and tomorrow the same causes are likely to have the same effects upon people of the same race, nationality and environment. Causes which induced people of the last generation to move to cities will have a similar effect upon those of this generation and the next.

While listening today to the excellent papers and the well-considered discussions of the hegira of the farmer from agricultural districts to industrial and commercial fields, I have made a mental census of the gentlemen and ladies composing this convention. Unless I am very much mistaken, more than 65% of those present passed their childhood days on the farms.

To come down to plain speaking, let me inquire, why did you leave the farm. Why do you not return to the farm tomorrow. A composite answer to that question would be that you turned your faces to the city in the hope of bettering your condition. You expected to have an easier time, make more money, have greater opportunities for personal development and generally to get greater enjoyment out of life.

Why do you not go back to the farm? It is because you have in a measure succeeded in attaining the objects for which you originally abandoned rural life. You prefer to be college professors, editors of agricultural papers and followers of other callings. You prefer to give your wives and families the advantages afforded by the town rather than to impose upon them the long hours of labor and drudgery necessarily incident to ordinary farm life.

How much of a government subsidy would it require to induce you to return with your wife and children to the long hours of hard work of farm life? Do you think it would be worth while for the government to impose additional taxes upon the people of

this country in order that money might be drawn from the public treasury to be used directly or indirectly to induce you to return to the farm.

The average young people of the next generation will have the same ambitions and equal intelligence with those of the present. The same causes which induced you to abandon the farm for other fields of labor will have the same effect upon the young people of the next generation.

Under existing conditions you do not practice what you preach. Under the same conditions they will do then what you are now doing.

We are here primarily to consider the welfare of the farmer and the encouragement of the business of agriculture. For the purpose of bringing out the truth and developing discussion, may I be pardoned for making a few suggestions which at first may seem to be discordant and heretical. I believe that we are approaching this subject from the wrong angle and directing our attention to effects when we should address ourselves to causes.

In order to divert the tide from town to country, we must make country life more attractive and more profitable than town life. The majority entertain an opposite opinion at the present time and consequently the trend is toward the cities.

With all due respect to the gentlemen who entertain different opinions, I maintain that the condition of the farmer would not be improved by inducing half of the people who live in cities to move out on farms to increase production. It would increase competition in farm life, reduce prices and deprive the farmers of many luxuries which they now enjoy.

In the good old days, when the majority of the population lived on farms the conditions of farm life were not anywhere near so pleasant and the profits were less than they are today when the farmer has the benefit of a large urban population competing for the products he offers for sale.

The labor unions thoroughly understand that increased competition reduces prices. They object to the importation of cheap labor and they regulate the number of apprentices permitted to learn the various trades. Last summer, 110,000 members of the building trades were idle several months because they would not work eight hours for \$7.40, demanding \$1.00 per hour for regular time and \$1.50 per hour for over-time. Their children attend schools and their wives work fewer hours than the women on the farms.

The average farmer works from ten to sixteen hours a day. His children work many hours every week from early childhood, and his wife usually works longer hours than the farmer himself. The farmer's compensation is far less than \$7.40 for eight hours. Such facts and conditions as these must be taken into consideration when we suggest methods for improving the condition of the farmer.

May we not question the wisdom of trying to improve conditions

under which the farmer conducts his business by subsidizing or otherwise inducing others to enter into competition with him.

My conclusion is that farm life must be more profitable in order to be more attractive than town life before it will draw people from the town to the country. Artificial stimulation of the country spirit by propaganda, subsidies and other methods can not permanently succeed.

As conditions of prosperity in the business of farming have steadily improved as the proportion of population engaged in agriculture has decreased, it is not reasonable to assume now that farm life would be made more profitable or attractive by inducing a large part of the city residents to shift their homes and occupations to rural life.

Improved methods of farming as taught and encouraged by the agricultural colleges, the department of agriculture and the banker-farmer movement have done much in the past thirty years. The first thing to do is to raise the compensation of the farmer to that received by men of equal ability and industry in other occupations. It requires a high order of ability as a manager and far more technical knowledge to operate a farm successfully than to follow an ordinary industrial occupation in town. If the bricklayer is entitled to a dollar an hour for his services, certainly the farmer is entitled to as much.

The problem of farm tenancy presents many sides. A superficial consideration of one or two phases of the question is of little value unless we consider the economic principles that underlie and govern the entire proposition.

It is argued by many that farm tenantry should be abolished. There is a great tendency now among agricultural writers to claim that the farming industry in America is going to the dogs because of farm tenantry. Before deciding this question let us give sober consideration to a few incontrovertible facts.

We are at present living in abnormal times. Financial, industrial and agricultural conditions have been greatly disturbed by the world war. With a return to normal business conditions, there is likely to be an increase in the proportion of farm owners operating their own farms.

An ideal condition of farming would be one with every farm operated by its owner and every farmer out of debt. Ideal conditions may be approximated, but never fully attained. A practical condition will be found to be one in which one-fourth or more of the farms are operated by tenants.

It is estimated that nearly two-thirds of the farms of the United States are owned by the men who operate them, leaving something over one-third operated by tenants. It is also estimated that only about one-third of the homes in cities and towns are occupied by owners, and therefore about two-thirds are occupied by tenants. It is also estimated that only about one-third of the homes in cities and towns are occupied by owners, and therefore about two-thirds

are occupied by tenants. This makes the proportion of town tenants twice as great as on the farms. Cities are getting along very well with two-thirds of the people living as tenants. This comparison is quite favorable to the agricultural industry.

The records and reports of the Agricultural Department at Washington show that there has been an increase in the average yield per acre of farm crops during the last thirty years. It is therefore clear that all rented farms have not lost productiveness, although there may be more of a tendency toward depreciation on rented farms than on those occupied by owners.

It is argued that the farm tenant leads a life of hard labor and poverty because he is a tenant. In these days when the majority of our population live in towns and cities, a comparison of the condition of the American farm owners in the "good old days" prior to the civil war when the majority of our population lived on farms, with that of the farm tenants of today will be favorable to the living conditions of the latter. The intelligent, thrifty, industrious tenants of today make more money, have more luxuries for their families and send more of their sons and daughters to colleges than did the owners of farms in the days when the majority of our people were engaged in the business of farming. Some men are not successful as tenants. They might not succeed as farm owners. Most farm tenants ultimately become farm owners.

The gentleman from Minnesota, in his most excellent paper, has shown that the capital return to farm owners, aside from the increase in value, has averaged less than 4%, in some cases less than 3%. I am confident that the average for the last thirty years would be even less than that shown for the period that came under his observation.

The farm tenant who successfully operates a farm of 160 acres, furnishing his own complete equipment of teams, farm machinery and live stock, will require an investment of approximately \$5,000.00. Assume that he rents a farm valued at \$25,000.00, a very moderate estimate. The owner of the farm ordinarily will receive not more than 3½% as rental, after deducting taxes and depreciation of buildings. This is, in fact, a liberal estimate for the return to the land owner.

If the gentleman from Minnesota had made a careful study of the capital income returns obtained by farm tenants he would have discovered that the farm tenant often receives a return of from 10% to 20% on capital invested in farm equipment and stock.

Now assume that a beneficent government were to loan this farm tenant \$25,000.00 to buy the farm which he rented, and that the tenant pays 6% interest on the \$25,000.00 invested in the farm. With the same crop conditions and prices he would lose 2½% through owning the farm as compared with renting it. This would be an actual annual loss of \$625.00. As a farm owner he would be a speculator in real estate, and would benefit by any increase in the value of the farm, but he would also be liable for losses through

destruction of buildings by fire or depreciation. It is not a safe business proposition ordinarily for a man to borrow a large amount of money for real estate speculation. As a sound business practice, it would be a good deal better for the farm tenant with moderate capital to increase his investment in live stock and other equipment so as to rent more land profitably, rather than to speculate in buying farms on borrowed capital. The gambling conditions of the land market for the past year or two cannot be depended on to last. The man with capital is usually content to accept a rental rate on farm land as low as two or three per cent. It is safe to assert that the average return for farm rental for the last fifty years has been lower than three per cent. This is far below the interest rate for industrial purposes.

The reliable tenant who pays rent equal to three per cent of the value of the farm is able to make profits equal to those which would be his, if he owned the farm and paid three per cent interest on its value. He would not of course have the personal satisfaction of living in his own home nor would he receive the benefit of the increase in value, but farms do not always increase in value.

As a business proposition, the tenant would each year be the gainer. He would be able to annually increase his bank balance or his more highly productive live stock. The incompetent farmer is a failure either as owner or tenant.

The competent farmer with small means accomplishes most by renting for a few years until he acquires sufficient capital to enable him to make a substantial payment on a farm. A reasonable proportion of such farm tenantry is essential to the successful management of the farming business of every state.

To aid farm owners and farm tenants, let us favor legislation for those already in the business rather than to tax them to induce competitors to engage in farming.

COLLECTIVE BARGAINING IN AGRICULTURE

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I. COLLECTIVE BARGAINING—MEANING OF THE TERM.

Vagueness of the term.—In spite of the fact that there is a tremendous amount of discussion going on now in the press and elsewhere concerning collective bargaining, there is much vagueness about the meaning of this term. The word certainly conveys different meanings to different people. The term is a new one in agriculture, and therefore it is quite natural that a certain ambiguity should attach to it. The name Collective Bargaining and the thing itself both come to us from the field of industry. For some twenty or thirty years now the public has heard more or less about collective bargaining between labor and capital. And yet, oddly enough, in this field the real significance of collective bargaining is not yet understood. For instance, it was on this rock that President Wilson's first Industrial Conference went to pieces in Washington last October. The conference split over a resolution offered by President Gompers of the American Federation of Labor, reading as follows:

“The right of wage earners to organize without discrimination, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor, and relations and conditions of employment is recognized.”

On the face of it this resolution looks like a simple endorsement of the status quo, for Mr. Gompers, the introducer of it, is the head of large and powerful labor organizations and he has long seen labor unions enjoy the undisputed right to organize and bargain collectively. But Mr. Loree, speaking for the employers, said the Conference “would not be led into approving a collective bargaining resolution which did not clearly define the methods and circumstances under which it would take place.”

This is a very simple illustration, but it throws considerable sidelight on the situation. Since the practice of collective bargaining comes to us from the labor unions, it is well to pause a moment here and examine the meaning and significance of the term as used in this field.

Collective bargaining came to the public notice first in a general and favorable way in the case of the United Mine Workers. Back in the days of John Mitchell a joint conference was held at certain seasons, composed of representatives of the organized mine workers and representatives of the mine owners. In this industrial parliament, as it may be called, difficulties were smoothed out as much as possible and a collective bargain reached covering hours, wages, and conditions of employment. This method of bargaining did

unquestionably make for peace and efficiency in this great fundamental industry. It is worthy of note that contracts were honorably observed by the miners, even though, as in one case, the bargain called for a cut in wages. But within the present year we have witnessed a coal strike of the first magnitude, called by the officials of the union, after laying down certain terms in the form of an ultimatum. In other words, negotiation and bargaining were set aside in the very field where bargaining was supposed to govern.

On the railroads the conductors, engineers and firemen have maintained collective bargaining for thirty years, and in general have made wholesome and conservative use of their power. But beginning with the passage of the so-called Adamson Act in 1916 and continuing to the present, these powerful brotherhoods have negotiated the terms of their bargains in such a way that bargaining hardly seems to be the right word for what occurred.

In New York City, during the last year, we have seen two far reaching strikes in operation—the dock laborers and the printers—both of which strikes were conducted in violation of the authority of the unions themselves.

A witness at this time before the Senate Committee looking into this subject of strikes said that of the 70 recent strikes within the American Federation of Labor, only 8 had been authorized. The status of collective bargaining in industry in the year 1919, is, in short, one to inspire misgivings in the minds of the general public. Perhaps the deepest instinct the people have is the mistrust of autocratic power. And society has felt almost helpless, at times, in the face of demands made by some of these powerful unions. If a union is powerful enough to impose its will on others, even though in the guise of a bargain, it becomes a case at best of the strong bargaining with the weak, and such a bargain is a one-sided affair. Again, some bargains were made evidently by agents who misrepresented rather than represented the unions, a thing likely to occur under any form of representative government whether political or economic.

Looking back beyond the troubled World War period of the immediate present, over some twenty or thirty years of collective bargaining by labor organizations, the record for collective bargaining is on the whole good. Both the right to organize and bargain collectively and the desirability of doing so, in order to protect its own interests and to be represented by representatives of its own choosing are now quite generally conceded to labor. The abuses of the power of collective bargaining during the war period should not outweigh, in our minds, the sane use of this power during peace. For we must remember the old axiom, "All power is liable to abuse." One thing is obvious, however, collective bargaining does not solve all problems for labor. And the fact that the Industrial Conference of October, 1919, broke up on this issue shows that the full significance of the term is not yet mutually understood by labor and capital. It has been the radical labor leaders or misleaders that have hurt the cause of collective bargaining in the field or organ-

ized labor. We may say to organized labor, in Biblical language, "Your enemies are they of your own household."

In Agriculture: Two Aspects of the Question.—Coming now to the discussion of collective bargaining in agriculture, we find much more vagueness and uncertainty as to the meaning of the term. We are sure of but two things, namely, the farmer wants collective bargaining; the public shies at it. Cooperation among farmers is popular with the general public; collective bargaining by farmers is not popular with the general public. Yet a great many people seem to confuse these two distinct activities. There is a great deal of cooperation in agriculture now, but only a very little collective bargaining. Collective bargaining means price fixing. In a certain sense all bargaining is price fixing, but collective bargaining conveys to the mind of the public a setting aside of competitive price, of supply-and-demand price, and substituting therefor a price arrived at by the deliberate and conscious act of the bargainers. Price fixing by bargaining between two individuals is supposed to fix a price within the rather circumscribed limits set by the competitive market.

Many people look on competition as an economic law, blind, relentless, impersonal, irrevocable, resistless as fate. Others view it as an everpresent force, like gravity, but, also like gravity, subject to considerable control and direction by human agencies. The fact remains, however, that man's control over natural forces is greater than his control over social forces. Competition has been accepted quite generally in our past history as part of our established system, except in case of natural monopolies. Our higher courts have certainly clung with great tenacity to the doctrine of competition. And a competitive price has been construed as a supply and demand price. And demand has been construed as the human factor, the psychic factor. Supply has been looked on as an impersonal, physical factor. But in actual commercial life, supply is not an impersonal factor, for the simple reason that it is the estimate of supply, the opinion of the parties as to the supply, that constitutes the market factor, and their estimate or opinion is constantly being modified to meet new market information and new conditions. The law of supply and demand, working out through free competition, through both objective and subjective factors, has for its major function the coordinating of production and consumption.

Collective buying and collective selling are not collective bargaining, for these are done on the competitive market, at the market prices. Collective bargaining is a substitute for competition. Collective bargaining in agriculture, therefore, so far as products are concerned, refers to the sale of the farmers' products. If farm laborers were organized, there would doubtless be collective bargaining in fixing wages.

It seems necessary to differentiate sharply between collective buying or selling and collective bargaining, on the basis of the purpose underlying each. Mr. E. M. Tousley of Minneapolis, our ranking premier in Rochdale cooperation has for many years emphasized

the principle that cooperation is for savings, not profits. Collective bargaining, on the other hand, is for profits, not for savings. For the farmer, like the other business men, is in business for profits.

We may illustrate this differentiation between savings and profits, between collective buying and collective bargaining in this way. Take, for instance, ten dairy farmers in the East, each spending one hundred dollars a month for feedstuffs. They are spending \$1,000 a month, acting as ten individuals. By pooling their purchases (buying collectively) they secure their feed requirements for a total of \$800 a month, thus affecting a savings of \$200 a month in the purchase of this product. They simply buy in quantities and buy at the market. This is cooperation, but not collective bargaining. On the other hand, let us assume that the growers of the feeding stuff in the Cornbelt have organized and secured control of the supply and have decided to sell by collective bargaining. The purpose in such a move would be to find a market paying the highest price for the product. Can we imagine these western farmers conducting a collective bargain for the purpose of furnishing cheaper feeds to the East? Each member would sell individually if by so doing he could find a better market. The only excuse, therefore, for a member's joining and adhering would be the opportunity for a better market and a better market means a higher price, a surer profit. For I insist that the farm business is conducted for profit, and that collective bargaining is to be looked on as one way of insuring this profit. If society wants the farm business continued or any other business continued, society must continue to contribute the profits necessary to keep that business going. In short, fair profits in farming and in other legitimate business are in accord with public policy. The fact that collective bargaining is for profits is no argument against collective bargaining, but a frank statement of a fundamental fact.

To illustrate further the differentiation between collective bargaining and cooperative buying or selling, we may cite the case of the three best examples of successful cooperation in North America, namely, the United Grain Growers of Winnipeg, the California Fruit Growers Exchange of Los Angeles and the Eastern Shore of Virginia Produce Exchange of Onley. These concerns sell on the market "at the market." They sell collectively, but they sell at the prevailing competitive price. They also buy considerable material collectively but also at the market. Like any large-scale business, like the ordinary "big business" corporations, they effect certain economies and savings by the mere volume of their business. In no case do these concerns use the collective bargain, as I understand the term. It is a somewhat significant fact that the first California producers' concern to make some use of collective bargaining, namely, the California Associated Raisin Company of Fresno, found itself facing certain legal questions of an annoying nature, to say the least. It is of course also significant that in the cases of the organized milk producers in the respective areas about

San Francisco, New York, Chicago, Cleveland, and Minneapolis, these associations were all haled into court charged with price fixing in the course of their collective bargaining.

The foregoing discussion is preliminary to arriving at a definition of the term collective bargaining in agriculture. Since the renting of farm land or the hiring of agricultural labor by the collective bargain method is not yet a live issue, we may disregard these two problems in formulating a definition. This narrows the task down to the products of the farm. And for all practical purposes this means the selling of these products. There remain three elements then in collective bargaining, namely, (1) an agreement concerning price, or price fixing; (2) control by the farmers of the supply of the article sold, or monopoly; (3) the bargain must represent group or collective action. Framed into a single definition, these elements may be stated as follows:

Collective bargaining in agriculture means an agreement by a group of farmers concerning the selling price of a product the supply of which they produce and control.

II. COLLECTIVE BARGAINING—IN THEORY.

Considerable time has been spent trying to define the term collective bargaining. At this point we may turn to some of the more important principles involved.

The ancient, child-like faith of our people in competition as a fair price maker is breaking down. Free and open competition, under the law of supply and demand, is not held in the high repute it once was. Some college presidents, even, are announcing to their trusting followers that the law of supply and demand has been laid on the shelf as a relic of antiquity. Without embracing this fond delusion, we may accept as true that there are many serious human barriers in the way of the free play of the so-called "free and open competition." Hence comes the pressure from many sides for a substitute for competition as a price maker. Not so long ago we abandoned the doctrine of competition as the correct price maker in the field of natural monopolies, such as railroads, street cars, gas companies, telephone companies, etc. In these fields the public came to rely for protection against high prices and high profits upon the ratemaking of some public body like a public service commission or the Interstate Commerce Commission. This is neither the time nor the place to pass judgment on the success or failure of this form of price making. But I merely want to register the point that the state of mind of the people demanded this method of price fixing and got it.

Now we must recognize the nation-wide demand by farmers for this thing which they call collective bargaining. Is or is not this demand sound in principle? To me it seems to be sound. Analyzing the state of mind of the American farmer as I now see it, I find three more or less deep-seated reasons for this demand.

(1) *Voice in price making.*—The grower has come to feel that he has too little to say about the selling price of his product. This

feeling is a sort of blind instinct. It may be compared with the demand in political life that government be based on the consent of the governed. As the monarchs and emperors depart, we see the peoples in various lands securing a voice in their government. It seems that this instinct in the individual for a voice in his political government must be accepted and endorsed. The same principle obtains in our economic environment, it seems to me. If we talk about the "democratization of industry" (as we do) we must mean giving a voice in the management of industry to those directly concerned. So it seems eminently logical and fair to give to the farmers in a group some conscious and audible voice in the price making of their own products.

(2) *Stabilizing prices.*—Organized farmers could go far towards stabilizing supply and price in certain fields. At present a large part of the farmers' complaints concerning our price structure is leveled at speculation and price fluctuation. It is useless to repeat and reiterate that most speculation is due to price fluctuation; that all prices fluctuate, even the prices of government bonds, and that is why men speculate, that the organized exchanges lessen the amount of price fluctuation rather than increase it. The farmer feels that he ought to be allowed to work out some scheme of price stabilizing over periods of time, say from month to month, with no fluctuations in the interims. Such a scheme would not eliminate speculation, but it would slightly reduce it.

(3) *Price fixing.*—The farmer sees certain large-scale industries like flour milling and the steel industry, able to make forward contracts for their output and thus guarantee their manufacturing profits. He feels he would like to put his big investment in somewhat the same class, so that his profits, his dividends might be guaranteed from season to season. When we recall that farming is now becoming a strictly commercial proposition and that a large fixed investment is required, in order to meet the consumer's food requirements, the validity of this demand is apparent.

Assuming that the farmer is entitled to more voice in the selling price of his goods, and to a more stabilized price and to more certainty of profits, and that he secures all these by means of the collective bargain; What protection to the consumer would there be?

If my theory is correct thus far, the farmer, in the case mentioned above, would substitute collective bargaining for competition. Absence of competition is generally called monopoly. And when it comes to monopoly, the public shies, as was stated at the outset of this discussion. In two ways the public could be protected from autocratic power or abuse of power by the collective-bargaining farmer. First, the consumer could be represented at the conference or sitting in which the collective bargain is made. This would give the consumer a voice in fixing the price. Second, full publicity could be required of all cases of collective bargaining, setting forth in particular all the facts and items used in arriving at the price, such as cost of production statistics, probable demand

statistics, and so on. A monopoly wearing a double bit of this kind would be tractable enough, in my opinion.

III. LIMITATIONS AND DANGERS.

Farmers organized so as to have a monopoly in certain fields of production and hence to do effective collective bargaining in this field, will work under certain limitations. The first limitation comes from what we may call the representative government idea in collective bargaining, since a few representatives must deal for the whole group. We know in our political life how incomplete a success representative government is—how difficult to select persons who truly represent us. Sometimes they misrepresent us. So also it will be with collective bargaining. The second big limitation is the problem of arriving at a just price and relating it properly to the cost of production and to the consumers' demands. Just now the farmer is most doggedly claiming the right to a price based on the cost of production. This phrase needs very cautious interpreting. If the farmer has in mind a price which will cover cost of production of the product of the most inefficient farmer, his claims are absolutely indefensible. Without prolonging the discussion on this important point I will simply add that the cost of production factor alone will never be the basis of a fair price, but that the demand-side must always be given the same weight and consideration by the price fixing body. This problem is, in my opinion, the most vital issue in the present discussion of collective bargaining. The measure of the success or failure of any scheme of price making will be its degree of conformity to the law of supply and demand.

The dangers which beset collective bargaining are the same in agriculture as in organized labor. When peaceful means fail, weapons of industrial war are used. The chief of these is the strike. You will all recall, at this point, the famous milk strike at Elgin in 1916, and the two big milk strikes in the New York area in 1916 and 1919 respectively. We may look for more and more strikes by farmers, as the processes of distribution become more complex. Again, the farmers will doubtless use the weapon of Limitation of Output. For instance, as foreshowing this sort of practice, mention may be made of the Cotton States Acreage Reduction Convention held at New Orleans, February 17 and 18, 1919, and of the Mississippi Cotton Acreage Reduction Convention held at Jackson, Mississippi, February 27, 1919, at the latter of which convention the following resolutions were adopted:

Whereas, The farmers, merchants and banking interests of the South are confronted with a grave crisis on account of the accumulation of large stocks of cotton at this unsettled and uncertain reconstruction period, which crisis is fraught with grave danger, both, to the present welfare and future prosperity of the South; and,

Whereas, The farmers, merchants and bankers have within their own hands the infallible solution of the threat-

ening conditions that now exist in the cotton producing section; and,

Whereas, There was held in the City of New Orleans on February 17-18th, 1919, the Cotton States Cotton Acreage Reduction Convention, composed of farmers, merchants, and bankers from every Southern State, which Convention carefully considered for two days the menacing conditions that have been precipitated upon the cotton producing states, and recommended, among other things, the reduction of at least one-third of the 1918 cotton acreage for 1919; the planting of largely increased food crops; the holding of the present cotton crops until remunerative prices can be obtained, and the organization of the farmers, merchants and bankers in every State in the South; and,

Whereas, The solution of the perplexing problems that now confront the cotton growers lies in the frank and efficient co-operation and intelligent organization, as well as the united action of the farmers, merchants, and bankers of the South;

Now, Therefore, Be It Resolved by the Mississippi Cotton Acreage Reduction Convention assembled in the City of Jackson, February 27, 1919:

First—That this convention hereby ratify and endorse the resolutions adopted as aforesaid by the Cotton States Cotton Acreage Reduction Convention in New Orleans on February 17-18th, 1919.

Second—That it is the sense of this Convention that if the entire acreage of cotton in the United States is to be reduced one-third of the acreage of 1918, then it is absolutely imperative that not more than sixty (60%) per cent of the cultivated lands in the Delta and not more than twenty-five (25%) of the cultivated lands in the hill and other sections of Mississippi be planted to cotton during the year 1919. And the farmers, merchants and bankers composing this Convention hereby pledge themselves to plant not more than sixty per cent of the cultivated acreage in the Delta and not more than twenty-five per cent of the cultivated acreage in the hill section of Mississippi to cotton in 1919, provided that in no case shall any farmer or planter be expected to pledge or is hereby pledged to reduce his cotton acreage for 1918, and further pledge themselves to use their influence to see that the acreage in Mississippi is so planted during the year 1919.

Third—That this Convention hereby pledges its members not to sacrifice the present crop but to hold the same until a reasonably remunerative price can be obtained therefor.

Fourth—That this Convention endorse the publicity

campaign that has been inaugurated and is being carried on by T. V. Wensel of Natchez, Mississippi, for securing fair prices for cotton.

Fifth—That P. P. Garner, R. S. Wilson, J. E. Evans, S. H. Lowenburg and R. C. King be, and they are hereby appointed as the State Executive Committee of this Convention and that each county in the State be requested immediately to organize with an executive committee to consist of one representative from each supervisor's district with the county chairman as ex-officio member of the committee to see that recommendations of this Convention are carried out.

Sixth—That this Convention hereby recommends that the said county executive committee be charged, among other things, with the duty of seeing that individual pledges to cotton acreage reduction as herein recommended are secured, that the plantings be verified and that reports be made to the said executive committee of this Convention from time to time, that a formal pledge be adopted and that full publicity be given to any farmer who refuses to comply with the recommendations herein made, and that pledges be secured from the bankers and merchants to assist in seeing that the recommendations of this Convention are carried out. And that each precinct in every county in the State be thoroughly organized for the accomplishment of the reduction in cotton acreage herein recommended.

Seventh—That the thanks of this Convention are hereby tendered to the public press for the wide publicity given to the reduction movement, and that acknowledgment is hereby made of the splendid service so rendered by the press and that the public press be requested to continue to give wide publicity to the cotton acreage reduction movement.

Eighth—That this Convention pledges itself and its members to foster a public opinion that will brand every man who, because his neighbor and the cotton producers generally are reducing their acreage, undertakes to profit through such general and united action, by increasing his own crop or by refusing to reduce the same as herein declared, as an undesirable citizen, unworthy of the respect and confidence of the community in which he lives.

The Bulletin of the Department of
Commerce and Agriculture of
Mississippi, Volume 14, No. 1,
Jackson, Mississippi, March, 1919.

The dangers of collective bargaining, we may say in summarizing, are merely the general dangers of the occasional abuse of this power. Since all power is liable to abuse, this is no valid argument against placing this power, this monopoly, in the hands of

the farmers, so long as reasonable "checks and balances" are provided to protect the public.

IV. COLLECTIVE BARGAINING IN PRACTICE.

The theories of collective bargaining make us ask what will happen in the future. But when we contemplate the unknown future we will be filled with hope or fear, depending upon whether we are temperamentally progressives or conservatives. To put our feet back on solid earth once more, we may pause long enough to look at two concrete examples of collective bargaining in agriculture. The two examples selected at random are certified seed corn and whole milk.

1. *Certified Seed Corn.*—The farmers on Long Island by reason of soil and climate have a virtual monopoly in growing certain kinds of garden and field seeds, including one variety of corn known as Luce's Favorite. The Suffolk County Cooperative Association is an organization of about one hundred Long Island farmers, producing and marketing certified seed of this variety. For all practical purposes they have a monopoly of this product. The seed is gathered into a central plant, where the corn is shelled, dried, tested as to germination, sacked and labeled. It is guaranteed by the Association as to purity of variety, as to moisture content, and as to germination qualities. The 1918 crop was sold by the Collective Bargain method, the details of which are worth reporting here. Of course the price was the vital point at issue. In the first place, in growing this corn on Long Island and in certifying it, the farmers worked in cooperation with the local county agricultural agent and with the Department of Farm Crops at the State College of Agriculture. A crop of 24,000 bushels was prepared for market. It was decided, in the collective bargaining scheme finally evolved, that this seed should be distributed to the farmers of New York State through the New York Grange Exchange, Inc., of Syracuse, New York, a cooperative store owned by the grangers of the State. A price of four dollars a bushel to the growers was finally put on the corn, as the result of several conferences and much "bargaining." As a first step, a preliminary meeting was held at the Agricultural College, where cost of production, fixed charges for maintaining and operating plant on Long Island, probable volume of business, etc., were all considered. It was thought that overhead expenses to the growers for preparing the crop for market after the crop was produced would be about fifty cents a bushel, and that the grower should have at least \$3.50 a bushel net to warrant him in producing this crop. This made a total price of \$4.00 a bushel.

Since the largest consumer of this corn would be the dairy farmer, and since the dairy farmers are organized into a Dairymen's League, the next conference was held at the League office in New York City. In addition to the League, there were represented at this conference the Grange Exchange, the Suffolk County Farmers, and the College of Agriculture. A general understanding was reached

concerning price and terms. Further negotiations led to complete harmony among all concerned, the Grange Exchange signing a contract to take the 24,000 bushels at \$4.00 a bushel f. o. b. shipping station Long Island, the Dairymen's League promising to cooperate with the Grange Exchange in having the farmers buy and plant this seed, and the Agricultural College central office directing county agent work promising to have all county agents concerned promote the use of this pure, certified seed. The Suffolk farmers delivered the corn and met all the terms of the agreement. The Grange Exchange then undertook to sell the corn at prices varying according to quantity taken, from \$4.50 to \$5.00 a bushel. Single bushel lots were sold at \$5.00; fifty bushel lots at \$4.50 a bushel. But owing to transportation difficulties and other merchandising problems, both usual and unusual, the Grange Exchange at the end of the season still had 5,000 bushels of shelled corn on hand in the Suffolk County farmers' warehouse, for which the Grange owed \$20,000 and for which they had no seed market. The matter had to be adjusted, and was finally amicably settled by negotiation, the Grange Exchange paying \$1,000 and turning the corn back to the farmers, to be sold for feed purposes at the market price, namely, about \$2.90 per bushel. In other words, instead of realizing \$20,000 for this 5,000 bushel lot as per contract, the farmers received about \$15,000, or a deduction of \$4,500.

This ends the story of the first year of collective bargaining by the Suffolk County farmers. From the purely commercial standpoint, this is not a fair test of collective bargaining, since so many other elements enter in. For instance, the College and the county agent aided considerably in the interest of the pure seed policy involved. Somewhat similar arrangements are now being made for the coming year, hence we may conclude that all parties concerned are willing to give the system another trial.

2. *Milk in New York City.*—The dairymen in the territory tributary to New York incorporated the Dairymen's League in 1907 under the Laws of the State of New Jersey. It was not till 1910 that the 50,000 cows necessary to form a permanent organization were secured. The distribution of milk in New York City is largely controlled by a few large companies, and these milk dealers did not take a friendly attitude towards the movement. The League felt itself strong enough by 1916 to attempt price fixing. The dealers were notified that they could buy milk from the representatives of the League. Few dealers paid any attention to the notice, believing the individuals would consign or sell milk as previously. Beginning October 1, 1916, the League farmers staged a 14 day milk strike. The dealers tried to break the strike by shipping in milk from Chicago, Indianapolis, Cleveland, Pittsburg, Philadelphia, Boston, and other points in Massachusetts, New Hampshire and Canada. The farmers won the strike; the dealers recognized the League and began to deal with it. New York's milk supply has been cut to 10% of normal during the strike, showing the League in possession of a virtual monopoly of the metropolitan milk supply.

In fixing the price of milk the League used the Warren formula, a formula worked out by Dr. Geo. F. Warren of Cornell, and showing the cost of producing milk. This formula gave a sliding scale of price, fluctuating with the price changes for feed, labor, etc., which go to make up the cost of milk production. The milk price was fixed for a month at a time.

In January, 1919, came another short and sharp dispute with the dealers and another milk strike, which the League won. However, the League did give up the cost-of-production basis of price fixing. The present basis of price is confessedly an awkward one and is being used as a temporary makeshift, rather than as a settled policy. Beginning April 1, 1919, the price of milk has been based on the price of butter, skim milk, cheese and whey. A calculation is made as to the market value of these four elements in 100 pounds of milk, and this gives the unit for fixing the market value of the 100 pounds of whole milk. The first six months under this method gave a milk price about 4 cents a hundred over the cost-of-production basis of the Warren formula. The prices set for the first three winter months, however, fell somewhat below the Warren formula basis. But more time is needed to pass an intelligent judgment on the actual workings of the new price formula. The significant thing is, that the cost of production factor alone did not prove a workable basis for selling the whole supply of milk. On this point, President R. D. Cooper of the League, said in his address at the 12th annual meeting of the Dairymen's League, Inc., at Jersey City, December 9, 1919:

"The change from the Warren formula to another method of selling the milk, however, does not by any means abandon this principle. The Warren formula was found impractical because it seemed impossible to sell the milk by its use without continual friction and warfare and because it is necessary to sell all, not part of the League milk. It is difficult, if not impossible, to sell all of the milk or all of any other commodity on a plan absolutely guaranteeing to dairymen or other producers the cost of production every month in the year for all they may care to produce."

In short, the principle will not work when a surplus is produced.

The Dairymen's League expects to continue the practice of collective bargaining. The League is however, developing a large central cooperative association, to own and operate the country milk stations in order that the surplus milk of certain seasons may be made into by-products and thus be kept off the whole-milk market. This will stabilize the supply of milk and hence operate to help stabilize prices.

CONCLUSIONS.

In this paper I have endeavored to show that the three essential elements in collective bargaining in agriculture are monopoly, price fixing, and group action. I have further taken the stand that a

monopoly in certain fields in agriculture is better than competition; that in these cases a farmers' monopoly is a "good monopoly," and that ways can be found for protecting the consumer against abuse of power and autocracy on the part of the organized farmers. My final conclusion is that collective bargaining, like most other so-called reforms, would be a step forward, although but a small step—hence a disappointment to its enemies, a disillusionment to its friends.

DISCUSSION OF PAPER ON "COLLECTIVE BARGAINING"

By THEODORE MACKIN, University of Wisconsin

Two impressions of the paper and discussions should not be permitted to pass unchallenged.

The general conclusion that "collective bargaining" on agriculture necessitates the threefold existence of "monopoly" "price-fixing" and "group action" hardly accords with the facts and experiences of actual practice. Furthermore the definition that cooperative marketing by farmers is synonymous with collective bargaining fails to recognize the essential characteristics which distinguish collective bargaining from the more commonly known types of cooperative marketing.

"Collective bargaining" instead of implying monopoly, through which "price-fixing" is supposedly made possible, is more nearly group protest against the continued existence of price levels or other factors which have become intolerable through the mere weight or inertia of custom. Collective bargaining certainly implies group action but does not imply monopoly or price fixing. It does mean the existence of impressive group indignation and publicity which throws the spot light upon prices that have become unreasonable. Where the single individual would certainly bargain in vain, concerted protest carries an appeal to the fair-mindedness of the public in general. United effort to inform the consumer that continued low prices will mean withdrawal of farmers from the given line of production paves the way for changes in price levels that would otherwise be met by serious misunderstanding and protest from consumers. Those changes which are effected by collective bargaining are compromises which have been negotiated after extended discussion and investigation involving farmers, middlemen and consumers. The fact that the compromise price agreed upon has in some cases stimulated increased production, attended by price reduction later to prevent oversupply and price demoralization, is suggestive that the collective bargainiers were hardly able to control the supply for the purpose of price fixing. Instead of price fixing by monopoly power through group control of supply, the collective bargainiers repeatedly have been obliged to attempt reduction in supply, [and this reduction has been accomplished by price reduction.] In other words price has regulated the supply, instead of supply regulating the price. This was true in the Des Moines, Iowa milk producers experience. There the high price,

tentatively set, stimulated a larger number of farmers, over a wider territory, to prepare for placing milk on the market. Over-supply was averted by reducing the price and thus eliminating the marginal or prospective milk producers.

In many lines of farm production, aside from the inability of large numbers of widely scattered farmers to agree to a fixed plan of action, the variations of weather and seasonal output make reliable supply calculations virtually impossible. Yet in the absence of power to rigidly control supply, without the aid of price fluctuations, those seeking monopoly are deprived of a realization of their ambitions.

Monopoly is not essential to collective bargaining, therefore, because control of supply has not been gained, though repeated attempts to gain such control have been made. The prices agreed upon as a result of collective bargaining are merely evidence of compromises which have broken the inertia of custom. The new price level is merely an attempt to render greater economic justice, and above all to guarantee an adequate supply of product for consumers, which in the absence of modified prices, would certainly have felt the pinch of reduced supply. The compromise prices are not arbitrary iron clad contracts, involving group limitation of supply for the purpose of gaining what the traffic will bear, and therefore do not contain the elements of monopoly prices.

The essential purpose of collective bargaining is the changing of price levels and not the conduct of enterprises which render a series of economic services. Most of the commonly known cooperative marketing concerns, on the other hand, are concerned with the efficient rendering of essential marketing services, regardless of what the price level may be. Thus the machinery of collective bargaining is largely intangible, it is a movement, a protest which brings to the people involved, a realization that a different price level is necessary. In contrast to this the usual cooperative marketing concern has a constant series of services to perform. Its aims are not realized when a price compromise has been reached. Only as its machinery functions with greater and greater efficiency and savings or profits are made does the usual cooperative agency fulfil its mission.

These differences between collective bargaining and common cooperative marketing, though both are forms of cooperation, guarantee that, no matter how much collective bargaining is misrepresented with attendant injurious results, these detrimental effects need not operate as a boomerang to the great number of unnoticed and successful cooperative concerns which derive their advantages from business efficiency rather than price levels.

W. O. HEDERICK'S REMARKS UPON PROFESSOR BOYLE'S PAPER ON COLLECTIVE BARGAINING

"It seems to me that Professor Boyle is essentially correct in his definition of collective bargaining. The history of the term, collective bargaining, confirms this view. Everybody knows that it

has been only since these new sorts of farmers' organizations,—these price fixing organizations, as typified by the various dairymen's leagues,—that anything in a legal way has been done to suppress the getting together of the farmers.

We have had during the past year legal proceedings against dairymen's organizations in a half-dozen large cities. Now the old type of farmers' organizations,—the old-fashioned farmers' co-operative association—never, so far as I know, were proceeded against through law. In other words, they were considered perfectly legal in all their activities. One must conclude, then, that these new types of organizations are on a different footing legally from the farmers' co-operative associations, and since it is with these new organizations that the term collective bargaining is mostly associated, it would seem that collective bargaining cannot be defined except in terms of these new organizations.

Indeed, one may say that the reason for being of these new organizations such as the Dairymen's League, which have brought into being the term collective bargaining, is vastly different from the old co-operative associations. It was the purpose of these older associations to affect certain business economies which could only be secured by the organization of the farmers involved. These economies were the shipping of the farm products in car load lots, the maintenance of community standard of products and of community methods of production. They sold on the market at whatever they could get and were satisfied with the increased returns from such economies. On the other hand, it is the scarcely concealed purpose of the newer organizations,—the ones with which collective bargaining has been identified—to control the market. They do this through organizing their members into a compact union and then by selling through one man, a unified price for their product is the result. They seek no economies of the business sort, but simply through standing together as one man to control the price, the Michigan Dairymen's Association has been successful in accomplishing this purpose, and as I understand it, the raisin-growers of California have done the same. Now I submit these are the characteristic activities of the farmers' associations which brought into prominence the term collective bargaining, so the term itself must be defined as something very closely resembling price fixing and this Prof. Boyle has done."

DISCUSSION OF PAPERS ON COLLECTIVE BARGAINING

CHARLES L. STEWART, University of Arkansas

It seems that the lawmakers have made a distinction between collective bargaining relative to wages and collective bargaining relative to prices. The latter is condemned whereas the former is legalized. The ground for the distinction seems to lie in the fact that in wage bargaining unassociated individuals stand at a disadvantage because of the relative powerlessness of their bargaining when, as employers, an overwhelmingly large union threatens to put them out

of business, or when, as employees, waiting lists are played against them, reserves against unemployment are small, and skill at bargaining maneuvers is undeveloped. To place employers and employees on an equality the law justifies collective bargaining relative to wages. In price bargaining, however, it has been assumed that there is no such innate likelihood of an inequality of bargaining power.

Farmers, however, feel that they have just as much right to bargain collectively relative to their milk, rice, livestock, cotton or fruit as the union laborer or his employer has to join his fellows in a wage bargain. It many cases the farmers have just as much basis to be concerned about the perishability of their products, about their powerlessness to gain anything by their refusal as individuals to deal with those who buy products consisting mainly of their labor, and about their lack of bargaining skill as compared with the other party. Perhaps the farmer, of all who desire the right to bargain collectively about prices, can show the closest analogies to the position of those whose collective bargains about wages are now favored by law.

To say, however, that farmers or any others who bargain collectively about prices and wages may not adopt monopoly tactics and may not even find one of the richest fruits of their association in the exploiting of such advantages to the hurt of other important elements of the population is to say too much. The reason farmers or others collect to bargain is that they get power by such organization. This power arises from control over certain supplies, from organized reserves or plans to resort to alternative outlets for products and alternative sources of requisites, and from utilization of shrewder methods of maneuver at bargaining. Perhaps Professor Boyle is not far from right in pointing out the monopoly element as potential if not always kinetic in this group action.

For example take some types existing in the Southern states. We may pass by cotton acreage reduction associations as unlikely to realize upon what to superficial onlookers appears to be an exceptional opportunity for exercising monopoly power. Acreage reduction, however, can only operate within very narrow limits in the case of cotton, and within those limits anyone familiar with the South can see distinct permanent advantages arising from the propaganda. If one takes the case of a product a part of whose supply must be imported in order to fill domestic requirements he can see more of a chance for exploitative action by associated farmers. Growers of rice and sugar cane might use their power to procure a tariff wall behind which exorbitant prices might be extorted from the public. This thing is not impossible for farmers' groups in any section.

Collective bargaining by farmers, coal producers, union laborers or any other group may become dangerous. It is idle to say that a farmers' group or any other group can do no wrong. Normally, however, they will need collective power to equalize their bargaining ability with that of the packers, distributors or others with

whom they deal. We should be concerned to see that abuse of power is stopped promptly. We should be equally concerned to see that power when needed to equalize bargaining conditions is obtained for and by farmers and other interests.

REMARKS ON MR. BOYLE'S PAPER

JOHN D. BLACK

I also wish to take exception to Mr. Boyle's definition of collective bargaining as including the fixing of a monopoly price. It would be extremely unfortunate if such a conception of the object of collective bargaining should become prevalent. On the one hand, it would strengthen the standing suspicion of this very thing in the minds of the consuming public into an almost ineradicable belief. On the other hand, it would put farmers in general in the same class with certain groups of our rural population who at present and for some time past have been saying that the farmers are the only class who are not in a position to "set the price" on the goods they sell and have been urging the farmers to consolidate into a third great monopoly power complementary to labor and capital. We never have accepted this analysis as sound and we surely are not going to change our minds now.

The purpose of collective bargaining is not to set a monopoly price, but to discover and establish a "necessary price," that is, a price which will call forth the supply of a product which the consumers will demand at that price. We know that the ordinary price-making forces work very crudely in many cases. They cause orchardists to plant too many apple trees for a series of years and not enough for the succeeding series. They keep farmers producing too much milk at a loss for a period, and not enough at a good profit for a succeeding period. What we want is a price that will keep up a steady supply sufficient to meet the demands of the population. It is no simple task to discover what this price is, especially in periods like the present when demand is in a state of rapid flux, and price levels are very uncertain. Nevertheless, it is my belief that the right sort of statistical and accounting records and careful economic analysis of them would enable us to approximate necessary production in this sense and in many cases forecast necessary price with sufficient accuracy to furnish a basis for price negotiation. Any price agreed upon and established will of course be a sort of "cut-and-try" price. It may prove to be ten or fifteen per cent off in cases where demand is uncertain.

This is illustrated by the Twin City Milk Producers' Association which supplies over half the milk used in St. Paul and Minneapolis. They are selling milk to the distributors on a cheese-price basis at present, and have been selling it cheap all winter because cheese prices are at present very low relative to butter prices. The manager tells me that he believes that he and the distributors, at least those among them that are honest and fair-minded, have had enough experience trying out different prices so that they could agree within a few cents as to what price is necessary to bring out the

supply desired. The Milk Producers' Association has no thought of anything but *necessary price*. Necessary price is a very pertinent thing to them. If they do not pay it, the milk goes to the creameries and cheese factories in the district. The Producers' Association even claims that it has to bid against the extra prices that the creameries pay during slack seasons in order to keep their plants running. These men also know that the only way that they could establish a price above necessary price would be to control the output of their members and keep supplies from coming in from new territory, or extend their membership and control to all new territory brought into the market area. At the most, all the advantage that they could hope to attain would be either temporary or a slight differential due to better location. The interest of the Producers' Association is therefore in *necessary price*. This is the price they wish to be able to determine. A new contract goes into effect in July and they are looking for a better basis for bargaining. They have no faith in cost-of-production methods. They do not wish to continue on the cheese basis.

The last Minnesota legislature passed the Winkinson Bill which legalizes collective bargaining for farm products. The bill was passed to free the officers of the Twin City Milk Producers' Association of the indictments against them.

As already indicated, a small monopoly element may be introduced into milk prices by producers' organizations. Temporarily, a considerable monopoly element may be introduced in some of the large metropolitan centers where milk comes from a wide area. One hesitates, however, to predict to what extent monopoly may or may not be introduced under certain circumstances in the future. Undoubtedly there are a few farm products selling at present at prices involving a considerable producers' monopoly element. There may be a few more in the future. We can safely predict that such tactics will eventually bring public price-fixing and regulation. The proper objective for any producers' organization is not a monopoly price, but a necessary price. This means a price which will cause farm enterprises to be balanced in such a way that our human and natural resources are most economically utilized. Collective bargaining may prove a very satisfactory way of arriving at necessary price in certain cases where the various bargaining forces are all brought to a head in one place, where producers, distributors and consumers can unflinchingly observe from day to day exactly how certain prices actually work. When producers, middlemen and consumers are widely separated, it is likely that other agencies will come to be preferred. Just at present, what is most needed is careful, statistical studies of production, demand, prices, etc., so as to make possible the forecasting of necessary production and necessary prices.

DISCUSSION OF PAPERS ON COLLECTIVE BARGAINING IN AGRICULTURE

PROF. B. H. HIBBARD, University of Wisconsin

The term collective bargaining no doubt means exactly what the words imply. It means bargaining by the agents for a group which they represent. There is no room for doubt that what Professor Boyle has in mind comes under that head. The question at issue is whether or not there is collective bargaining other than that exercised by a group possessing a monopoly. Many of us believe there is. Whether a group of farmers can form a monopoly or not need not enter into the controversy. Possibly they can. Perhaps there are a few instances in which it has already been done. Even so, the fact remains that monopoly is not the normal preliminary in the making of purchases or sales in the exchange of farm produce. Farmers are too numerous, too widely scattered, and too little able to control supply to permit the working of monopoly methods to any considerable extent. The public has for many years condemned monopoly in private hands wherever it touched the welfare of society in a vital way.

If then, we are to relegate the use of the term collective bargaining to the society of agriculture monopolies, we have at once condemned it and rendered necessary the coining of another term to use in the great number of cases in which farmers act as a group in buying or selling without the exercise of monopoly or price fixing power. A few examples may not be out of place.

In Wisconsin we have a cheese selling federation. Through this federation some fourteen million pounds are sold annually. To call this federation a monopoly would be absurd. At the same time it gets a better price for the cheese through the collective bargaining power it possesses than could its separate members. The purpose of the federation has never been price-fixing. It has been the saving of certain expenses, the exercise of business judgment as to the best time and place to sell, the standardization of the product, the advertising, and ultimately, the education of the public with respect to the desirability of its wares. These the individual farmer cannot bring into the bargains he is able to make. The collective group can eventually bring them to pass, and it is being done through collective bargaining. To say that the group accomplishes its purpose by creating a monopoly of the qualities desired in cheese is to beg the question. Of course, they may eventually handle most of the first class cheese of the state, but they would not limit production or establish an artificially high price. They will by bargaining collectively be able to get what the market will afford from time to time, and this will be an essentially better price than separate cheese factories could command.

Farmers' monopolies are for the most part on paper. They may seem to possess considerable power, but no sooner do they try to exercise such power than it vanishes. Good examples of this are

the milk producers in the vicinity of our cities. But a comparatively small part of the milk within the so-called Chicago milk zone is sent to Chicago as liquid milk. It is used by condenseries, by creameries, especially centralizers, and the like. However, suppose a much larger share should go to the city, the fact would remain that just outside the zone is a great quantity of milk being used for the manufacture of butter and cheese. It is the same product essentially as the city milk. True there is a little more required of the city milk producer in the way of sanitation, but the claim that that gives him a monopoly with any great margin of price making power is a bluff. The city milk will bring the farmer, one time with another, enough above the price of milk for the more usual purposes to pay him for the difference in cost. It will not do much more than that. It will do even less without the united effort of the producers. And here we come back to collective bargaining. By this means the farmers in the vicinity of most of our cities have realized a price based on what competitive forces will give them months in advance of the time competition would have brought it about. This is one of the main functions of collective bargaining.

Professor Boyle cites the instance of the cotton growers in their efforts to reduce the acreage of cotton as a case of limitation of output pointing toward monopoly. It may be well to note that while the convention of growers and their friends recommend a reduction of not less than one-third in cotton acreage, the actual reduction was eight to ten per cent. Moreover, the boll weevil, the army worm, and the wet spring played no small part in this. It will be interesting to see what happens to the cotton acreage for 1920. In the past reductions by reformers have been followed by increases by non-conformers who hope to cash in on the abstemiousness of their neighbors. Persistent economic causes will give the South a more diversified farm system. Sentiment stirred up by campaigns may help, but it will be time enough to announce a farmers' monopoly and price-fixing after the first evidence is established. Thus far it is lacking.

The most of us will continue to use the term collective bargaining to mean group action in buying and selling, whereby the farmers are enabled to get what the market really affords. Without bargaining of this sort there are likely to be undue margins accruing to agencies standing between producer and consumer. Where, in rare instances, farmers effect monopolies, we will speak of them in terms already familiar in that field and the price-fixing which they are able to bring about will be subject to criticisms and scrutiny, and probably to disapprobation.

DISCUSSION OF PROF. BOYLE'S PAPER ON COLLECTIVE BARGAINING

By ALEXANDER E. Cance
Massachusetts Agricultural College

I want to thank Mr. Boyle for his careful analysis of collective bargaining inasmuch as it opens for discussion a question of great importance. I am interested, too, because I not only disagree with his definition but I deprecate the publication of anything by this Association that might be construed as an acceptance of his definition. Moreover, it gives me great pleasure to stand by to see what a body of economists do with a controversial bone of this kind when it is thrown among them.

In the first place Mr. Boyle's definition does violence to the words collective bargaining. Every sale or purchase is made by a process of bargaining, and every sale or purchase by or for a group is a collective purchase or sale. In New England we have used this term synonymously with collective selling, less frequently collective buying, by groups of cooperating farmers or consumers.

In the next place while it is evident that some groups of farmers cooperate solely for the purpose of fixing or determining a price, as previous speakers have pointed out is the case with several milk producers' organizations, this does not mean either large or permanent monopoly control in any instance that I know of. In the case of the New England Milk Producers' Association it is definitely stated that price fixing is the immediate and temporary purpose; its permanent function is the improvement of quality of product and the effecting of economies in market distribution. These last are the real purposes of collective marketing. I would be sorry to see the use of the term narrowed to the odious and odorous use which confines it to monopolistic price fixing or restraint of trade. If we need a term why not call it collective price fixing since price fixing is its essence.

I object to the definition because it emphasizes this one purpose of cooperative marketing which is not permanently important. Practically all collective marketing is for the purpose of increasing the returns to the group members either by a better price or by more economical methods of marketing. Better prices accrue from better quality, larger quantity, more regular shipments, judicious storage, better markets, advertising, branding, grading, packing and the like much more than from monopoly control, which is never perfect and generally tremendously exaggerated by hostile interests. The public does not understand these greater functions and seizes upon the monopolistic price fixing attempts to bring into disrepute all collective marketing by producers. It ill becomes us who know the facts to emphasize this phase by saying that collective bargaining means monopolistic price fixing only.

Again the definition cannot be used consistently. A western cooperative cannery sells fresh fruit as well as canned products for

its members. It controls a comparatively large supply. The manager bargains for the sale of the canned fruit long before it is canned, since jobbers give their orders months in advance of the canning season, for future delivery. Mr. Boyle would call this collective bargaining probably. This cooperative cannery sells its fresh fruit for immediate delivery also to jobbers and wholesalers. The manager bargains in quantity again but sells a product in hand. This according to definition is not collective bargaining but cooperative sale.

Two New England organizations may illustrate my point. A few days ago I was called to Vermont to attend a meeting of representatives of Vermont creameries who purpose to form a dairy union or federation of the cooperative creameries and milk plants of that state. If all goes well the federation will control the manufacture and sale of a large part of the Vermont milk supply. When I asked why they wanted to federate they answered, "To advertise our products, to sell under one brand, to improve the quality of Vermont butter, to sell the entire product collectively and reduce the expense of overhead sale, to control the utilization of the raw product in such a way as to handle the surplus milk most advantageously;" that is to allot to certain creameries the manufacture of butter, others of cheese, others of pasteurized milk or cream or casein during certain months or seasons. In other words they wish to introduce economies in processing, manufacture and sale of milk. Not a word was said about price fixing although some of these plants have constantly sold milk at higher prices than the New England Milk Producers' Association with all its powers and price fixing activity has been able to offer. They would make collective bargains but sell on a competitive market and not fix prices in the accepted sense.

The tobacco industry in the Connecticut Valley would seem to lend itself admirably to organization for price control. A specialized crop, a small compact area, a well defined market, a group of intelligent growers, a fairly limited supply and a definite demand.

We have just succeeded in organizing some eight or ten local tobacco exchanges who have already formed a selling federation. Why did they organize for collective action? Frankly to better marketing and producing conditions. They will probably purchase large quantities of guaranteed fertilizer and supplies; make uniform labor bargains with their hands, utilizing them on farms and in tobacco barns when needed and in the collectively owned sorting shops in season—assuring a steady permanent supply of laborers; own their warehouses and do their sorting and sweating and packing; sell the tobacco at a central point by sample where all buyers may come to bid for it; pool small lots of uniform grade in order to make a saleable quantity. All this means bargaining and economizing at every point. It need not mean price fixing at all—in fact little or nothing is said about monopolistic control of price—four-fifths of the activities are directed to elimination of market-

ing and producing wastes and the effecting of economies through collective action. Tobacco buyers are quick to call growers price fixers, monopolistic and profiteers. But we who know need not do it. They do bargain collectively—in my definition, because they buy and sell collectively.

I trust the Association will not set the seal of approval on Mr. Boyle's definition though of course we all recognize that we must distinguish between price fixing and other functions of collective marketing groups. Moreover we recognize that price fixing as defined may be legitimately attempted by farmers in many instances. Its permanent success in any line of agriculture is more than doubtful. What we need as an Association of Agricultural Legislation is a brief for collective marketing or collective bargaining in the larger and more accurate sense.

COLLECTIVE SALE OF LIVE STOCK

HENRY A. WALLACE, *Editor*, "Wallace Farmer"

Live stock has never been sold collectively in the sense that milk is now being sold collectively by such an organization as the Chicago Milk Producers. Any one of the five big packers represents more bargaining power than all of the live stock producers' selling agencies put together. The degree to which the five big packers work together in the buying of live stock is a matter of some dispute, but it is generally believed by producers, and this belief seems to be borne out by the Federal Trade Commission reports that the five big packers maintain from day to day a remarkably uniform purchasing policy. At any rate, the buying policy followed by Armour and Swift seems often to determine the policy of smaller packers. Unquestionably there has been a vast amount of concentrated purchase of live stock and practically no collective sale of live stock.

Fattened live stock is almost as perishable as milk, fruit or vegetables. After five months of corn feeding, the ordinary feeder steer is ready for market, and further feeding is likely to be at a loss. In the case of hogs, gains become decidedly less economical after a weight of 250 pounds is passed. Furthermore, there are definite seasons when big receipts are to be expected. December and January are normally months of heavy receipts of finished cattle and hogs, whereas, during the spring and summer there is a time of seasonal scarcity. With all this true and with the selling power of the producers diffused and the buying power of the packers relatively concentrated, it is readily seen how difficult it is for live stock producers to combat a lower price drive, no matter how unwarranted it may be. Producers have often greatly reduced their marketing for a month or two at a time, in an unorganized, blind resentment against an unwarranted price drive. But generally the packers have set tight in a case of this sort, knowing that it was only a matter of a month or two till the stuff had to come to market, and when it did come they paid an even

lower price. There is reason to believe that a situation of exactly this sort now exists in the hog market. Receipts of hogs have been decidedly short ever since the price drive started in August, and especially during the past month. The reduced receipts have not prevented hogs from selling unwarrantably low. And now there is every prospect of heavy receipts in January and a break to even lower levels. And all this, in spite of a potentially strong demand and a potentially small supply. Apparently, the packers occasionally postulate a theory of values, and then attempt to make this theory good through the strategic manipulation of their concentrated buying power. No sufficiently intelligent and powerful producers' organization has yet been formed to meet a situation of this sort. The Illinois Farm Bureau people made an attempt to stop the hog price drive in September by advocating a holding policy. This advice, while well meant, was poorly timed, and those farmers who heeded it lost money.

The producers' live stock selling agencies which are actively at work have nothing to do with collective bargaining, but are solely concerned with doing the work either of the local shipper or of the commission firm at terminal markets. In many localities, the local shipper in order to exist has paid small farmers \$2.00 a hundred under the Chicago price. These same farmers on forming a cooperative live stock shipping association have often been able to return their members a price within 70c of the Chicago price, thus effecting a saving on their live stock of from \$1.00 to \$1.50 per hundred. During the past two years fluctuations in the market have been so violent from day to day that the local shipper has felt obliged to protect himself by taking an unusual margin. As a result, hundreds of cooperative shipping associations have been formed. There are four hundred in Iowa, four hundred in Nebraska, six hundred in Minnesota, five hundred in Wisconsin, one hundred in Illinois and sixty in Missouri. These 2,000 associations have handled fully \$250,000,000 worth of live stock this year and will probably do twice as much business next year. Some of these associations have been organized by the county agents, others are affiliated with the local elevators, and still others have been organized by the Equity and the Farmers Union. As in all cooperative ventures, the success of the cooperative shipping association depends largely on the manager. A former stock buyer, who is well acquainted in the neighborhood, who knows stock, may do very nicely. So also may a retired farmer, provided he is a man of common-sense business ability and has had some experience in shipping. The manager of a cooperative shipping association does not face the speculative risk of the local stock buyer, inasmuch as he does not pay for the stock until it has actually been sold at the terminal market. A carload of stock as shipped by the manager of a local cooperative is typically composed of stuff bought from several different farmers. The manager orders the car, marks the stock so that he may know which came from farmer A and which from farmer B, and consigns the car to a commission firm, which

reports on the money received from farmer A's stuff, farmer B's stuff, etc. The check, less freight and terminal market expenses, is sent by the commission firm to the manager, who pro-rates the various expenses and returns the net amount to the respective farmers. Ten or twelve cents on each hundred pounds of stock shipped is paid to the manager for a salary, and two or three cents more are deducted to serve as a sinking fund to pay losses in transit. The cooperative live stock shipping association is a rather simple affair, requiring very little capital, and being almost certain of success if a fairly good man is found for manager. Cooperative live stock shipping associations fill a real economic need and there is every reason to believe that they will become more numerous, rather than less so.

Early in December of 1919, several hundred of these local cooperatives organized themselves into a national association of cooperative live stock shippers with headquarters at Chicago. This national association is concerned with strengthening the locals, starting new locals, and giving weak locals the benefit of the experience of the more successful. Eventually the National Association will doubtless start commission firms at terminal markets. It will almost certainly do so if the present commission firms fail to render full service to the local shipping associations. Live stock shippers have always been greatly concerned in railroad rates and service, and it is to be expected that the national association of cooperative shippers will do some of its best work in representing live stock interests before the Interstate Commerce Commission. But so far as collective sale of live stock is concerned, the national association will doubtless move very slowly. It is conceivable, however, that a time may eventually come when such an organization will have sufficient intelligence and power to stop an unwarranted price drive by directing the local organizations to withhold stock from market.

Many of the Farmers' Union locals, especially in Nebraska, ship altogether to Farmers' Union Commission firms, of which five have been organized during the past two years, at the markets of Omaha, St. Joseph, Kansas city, Sioux City, and Denver. The Farmers' Union Live Stock Commission Firm at Omaha, which has now been in existence for nearly three years, handled during its first year 2,186 cars of stock, and during its second year, 5,170 cars. The Union Commission Firms charge the regular commission, and at the end of the year pro-rate back the profits. The first year the Omaha concern collected \$26,781.00 in commissions, and pro-rated \$11,904.00 back to the shippers. The second year they collected \$71,925.00, and pro-rated about \$25,000.00 back to the shippers, and put approximately \$3,500.00 into a sinking fund and another \$3500.00 into a fund to be spent for propaganda. The experience of the Omaha commission firm would indicate that it is possible for a cooperative to do business by charging just about half the regular commission. Some people, while admitting the ability of cooperative commission firms to sell stock on a smaller

commission than the private commission firms, have questioned their ability to sell the stock for full value. In this connection, it is interesting to know that the packers have always been inclined to give cooperative commission firms a square deal. Professor Filley, of the Rural Economics Department of the University of Nebraska, writes:

"Some time last winter I was present at a hearing in Omaha held before Mr. Hall, in regard to the Farmers' Union Commission Firm being refused admittance to the South Omaha Live Stock Exchange. At this hearing the Union Commission Firm presented figures to show that they had been receiving a higher price for the hogs which they sold than the average of the hogs marketed at South Omaha. Of course, they may have had better hogs than the average run, but there seemed no disposition on the part of any one to challenge their figures. The difference was small, but it at least gave the public the impression that the Farmers' Union Commission Firm was able to sell fat hogs to as good advantage as the firms that are members of the Live Stock Exchange. The Farmers' Union Commission Firm have maintained since they first started business that they have not been discriminated against by the packing companies. * * * I have followed the growth of the Farmers' Union Commission Firm at South Omaha with considerable interest. Just how successful they will be in the future I cannot say, but they certainly have been a success so far. Mr. Watts is an able man, and has gathered about him a good corps of salesmen. They are handling a big business in a business-like way at a low over-head expense, and therefore are able to return to shippers at the end of each year a considerable proportion of the commission charge."

At the present time the Farmers' Union Commission Firms are not incorporated as a separate business, but are owned and financed by the state organization of the Farmers' Educational and Co-operative State Union of Nebraska. The expectation, however, is to incorporate and sell \$10.00 shares of stock to Farmers' Union members, limiting ownership to not more than five shares.

Of all the cooperative commission firms now in existence, the oldest is that of the Equity Cooperative Evchange at South St. Paul, which began in October of 1916, and which now handles about \$12,000,000 worth of live stock annually, which is almost, but not quite so much as the Farmers' Union Firm at South Omaha. This St. Paul firm deals extensively in feeder cattle, whereas the greater part of the business of the Omaha firm is in hogs. In respect to feeder cattle, the claim is made that only one commission is charged and no speculative profit. Mr. Osborne, of the St. Paul concern, writes under date of November 28, 1919:

"We have had many buyers here this week from Iowa, who purchase their cattle direct from the farmers who ship, without any speculative profit between the two farmers. Many times recently, Iowa farmers have called at our office, signed a check in blank, and left it with us, stating that they wanted us to ship them some cattle,

and all they wanted us to do was to keep half of the usual speculators' profit for them, and give the other half to farmer who ships the stock to the market. This is a wonderful example of cooperation, and this system of doing business is what has made the farmers' independent selling agencies growing as rapidly as they have on the seven markets where they are now operating."

The Equity Cooperative Exchange handles both stock and grains on the Twin City markets. It is a stock company with \$50 shares of stock drawing 8% interest, and no man may hold more than twenty shares. Regardless of shares held, each stockholder has only one vote. Profits above the 8% return on the stock are prorated back to the shippers.

Just a little over a year ago the Equity established another cooperative commission firm at Chicago. This firm has done about \$5,000,000 worth of business in its first year, and is now on a paying basis. It has been endorsed and is patronized by both the Equity local shipping associations and the Farmers' Union. In Iowa especially there are a number of Farmers' Union shipping associations who find Chicago a much more logical market than Omaha. It is significant, therefore, to find the two organizations which at one time were supposed to be rather jealous of each other cooperating in this matter.

The Equity and the Farmers' Union are not the first organizations to start cooperative commission firms. Back in 1907 the American National Live Stock Association and the Corn Belt Meat Producers' Association started a cooperative commission firm, the president of which, Mr. A. L. Ames, was also president of the Corn Belt Meat Producers' Association. During the first six months the Chicago branch of this cooperative received more cars of live stock than any other cooperative concern has received during its first year of business. In fact, prosperity seems to have been the death of this early cooperative. The old-line commission firms became thoroughly scared at the unusual volume of business handled by the cooperative, and after the cooperative had been in business six months, started a systematic boycott. The commission firms made it plain to both eastern buyers and packer buyers that if they dealt with the cooperative they could not expect to buy stock from the regular commission firms. The packer buyers were scared by this intimidation for only one day, and after they had received orders from higher up they continued to buy from the cooperative as usual. The eastern buyers, however, not having the strength of the packers, felt unable to run the risk, and therefore discontinued dealings with the cooperative. However, the most effective fighting of the commission men was among the small shippers in Iowa. After the cooperative had handled a car of stock for such a shipper, the commission firm which had formerly handled his business would write the man a nice letter, telling him that he had noticed that he had a car of fine stock on the market, that the cooperative had done the best it could to sell the stock for what it was worth, but that the cooperative was handicapped by

being unable to sell to eastern shippers, and that the stuff unfortunately was not able to bring within 25c a hundred of what it should have brought. Some of the directors of the cooperative out in the country went so far as to ship stock to the regular commission firms under the name of their hired man or a neighbor. When it became evident that the commission firms through the daily market press and through their personal correspondence had been able quite effectively to poison the minds of the country shippers as well as to maintain the boycott in regard to eastern buyers, the cooperative stopped doing business. It had begun on too large a scale and did not have the organized backing which the Farmers' Union and Equity Commission Firms now have in the shape of local cooperative shipping associations. Moreover, the farmers of today are much wider awake to the necessity for protecting their own rights by collective selling than they were twelve years ago.

Just a word as to the Corn Belt Meat Producers' Association. It is an organization of Iowa shippers and feeders which has been in existence for the past fifteen years and has been most successful in securing fair railroad rates and service for Iowa Stockmen. Clifford Thorne tried his first railroad cases for the Corn Belt Meat Producers' Association, and is still retained as its attorney. They have made no particular effort along the line of collective sale of live stock, except the ill-fated cooperative enterprise into which they entered in connection with the American National. The Corn Belt Meat Producers' Association has never been a tremendously big affair, numbering its members in the tens of thousands like the farm bureaus organized during the past year or two. Very possibly, however, it has fought more determinedly and effectively over a long period of time because of its small, compact organization.

When it comes to considering the collective sale of live stock in the future, we must not forget the large part which the National Farm Bureau Federation is likely to play. If the State Farmer Bureau Federations in such States as Illinois, Iowa and Missouri, are to hold their membership, they must initiate a program dealing very largely with marketing affairs, especially with the marketing of live stock. There is reason to fear that they will be pushed into this too rapidly, before the leaders have any intelligent conception of the game they are up against. Eventually, the National Farm Bureau Federation should be sufficiently intelligent and powerful to step in and have a definite price influence at critical moments, using as a club the withholding of supply from the central markets. The efforts of the Illinois Farm Bureau Federation to maintain prices initiated last September was a foretaste of this kind of thing. We may criticise the intelligence of this effort, but the spirit was good.

Now that the Farm Bureau Federations have secured such a wide membership in the corn belt States, it would seem that the next step would be for them to initiate a competent research department. For instance they ought to have a man who is thoroughly versed in all the intricacies of hog prices. He ought to be thoroughly

familiar with practical problems of shipping hogs and selling hogs at the terminal markets. He ought to be familiar with the various hog products, as handled by the packers, and the nature of the demand for each of them. Through the Farm Bureau organization or through the Bureau of Crop Estimates at Washington he should have a very thorough knowledge of the potential supply of marketable hogs in the different sections of the corn belt week by week. In short, his job should be to keep in the most intimate touch possible with the supply and demand conditions to the end that the power of the Farm Bureau federation may be used to adjust the supply to a point which will insure cost of production, no more, no less. In other words, an effort should be made to regulate the supply to the demand in such a way that hogs will sell one year with another for about 11.5 bushels of corn, this to be modified seasonally.

The guiding star in the collective sale of any live stock product should be cost of production. The Chicago Milk Producers took the Pearson formula to represent cost of production, departing from this at times because of unusual supply and demand conditions, but nevertheless, approximating it quite accurately. In the case of live stock, we must also use cost of production as a guiding star, and it is here suggested that the ratio method of judging cost of production is probably as satisfactory as any.

Of course, it must always be recognized that the cost of production price and the supply and demand price are two altogether different prices under marketing conditions as they exist today. One of the big objects of collective sale of live stock, however, is to make these two prices more nearly identical, to the end that supply and demand conditions may be made more nearly uniform from one day to the next and from one year to the next. One of the greatest criticisms of the present price system as run by the big packers and the Board of Trade is that so little has been done to place prices at a point which will insure a more uniform supply and demand. Aside from perfecting more economical methods of sending stock to market powerful farmers' organizations can justify their use of the collective sale of live stock only insofar as they do a better job than the present price agencies in the matter of setting price at a point which will maintain a more uniform supply and demand. Just at present I see no indications that any farmers' organization is prepared to approach the problem from this larger angle, but I am nevertheless hopeful as to the future.

REMARKS ON MR. WALLACE'S PAPER

DITLEW M. FREDERIKSEN, *President*

Scandinavian Canadian Land Co., Minneapolis

Mr. Wallace's excellent paper on the collective sale of livestock, reminds me of the German professor who gave a very thorough account of a certain wonderful animal, but ended the description by saying that there was no such animal.

The only difference is that Mr. Wallace began by saying there is no such thing as real collective sale of live stock, and then gave us a comprehensive account of how far the American farmers have actually gone in selling livestock collectively, which after all is merely to effect a saving through co-operation of some of the commissions that are ordinarily paid to livestock commission firms.

It seems to me the great difficulty with the livestock market today is that the seller puts himself at the mercy of the buyer, by shipping his goods out before they are brought.

I know the cattle situation best in Canada, where conditions are very similar to Chicago. We are producing in Saskatchewan mostly grass fed cattle of the highest grass-fed type, but when a farmer ships his cattle down he takes his life in his hands, and does not know how he will come out. The livestock commission men of Winnipeg are mostly Jews, who, as Rothchild said, "buy sheep and sell deer." The Winnipeg packers pay no more than they think the traffic will bear, and if the farmer sells to the Jewish cattle buyer that goes through the country he has to take enough less for his cattle to pay not only a fair profit of the buyer, but also he has to pay for the eventual losses this buyer may sustain owing to the uncertainty of the market when the cattle get to Winnipeg, so the present livestock buyer cannot afford to pay what the stock is really worth.

It seems to me an experiment might well be tried that would amount to real collective marketing of cattle. Supposing the farmers of one or two or three or four counties got together, and agreed first to start feeding at about the same time, so as to have the cattle finished by about the same time; and agreed also not to sell for a certain limited time, except through their own chosen representative;—they could give this representative (which might be an association or the agent of an association) the sale right to handle those cattle for a limited time, without binding themselves to any definite price. They would merely put him in position to say that he had so many hundred or thousand head of stock to sell, of a certain quality; he could then invite the packers' agent out to see the cattle, and make his offer for them; if the offer was accepted by the owner of the cattle well and good: if not accepted, the owner of the cattle could not sell to anyone else until the time limit expired.

After all this is the way cattle is sold on the large ranches of the West. The large ranchers do not gamble on what the market will be when he ships the cattle. He meets the buyer's representative, shows him the cattle on the ranch, and contracts to sell them, and if a bunch of farmers would get together and do the same thing the result should work out the same way: if they did not get a satisfactory price they would not ship the cattle down and put themselves where they would have to sell whether they got a satisfactory price or not.

When you travel in the ranching country you hear talk like this: "Who got Jones cattle?" "How many has he got?" "700 head."

“Who has been out to see them?” “What are they offering him for them?” “What is he asking for them?” etc.

If the farmers should get together on a plan such as indicated it would seem as if packers from different centers would come to see them and bid for them on the farm instead of bidding for them in the yards. I remember one time last year when Iowa hog prices in the Eastern part of the State were up above the Chicago market because Ottumwa was paying more than Chicago.

By handling the proposition as proposed you could get buyers from different centers to come out and bid, instead of the farmers having his stock at high expense in the yards, where he is practically under compulsion to sell in a few days at whatever the buyers feel like paying.

In the option the farmers would have to give their agent under the plan proposed, it might not be feasible to fix a price, as stock might vary too much in quality to do this, and the market would fluctuate, but it seems to me if a joint agent had the sole sale of the stock for a certain number of months, this agent would be in position to make a much better collective bargain for several thousand heads, than is possible now when the farmer either has to deal with the local buyer,—who must have a large margin of profit,—or else has to ship and take the gamble himself on what he will get at Chicago or Winnipeg.

I would like very much to see this plan discussed, and tried out, and if handled right I do not see why it would not work.

“THE FIELD OF THE AMERICAN ASSOCIATION FOR AGRICULTURAL LEGISLATION”

By L. H. BAILY, *President*

The above address was published as volume five of this series, January, 1920.

STATUS OF AGRICULTURAL LEGISLATION IN THE STATES

By J. CLYDE MARQUIS, *Associate Editor*,
“The Country Gentleman,” Washington, D. C.

We appear to be entering a period of extended federal control in the form of legislation concerning matters which have previously been handled only by states or smaller political divisions. One has only to examine the increasingly imposing lists of federal regulatory enactments to be impressed with the fact that we are amassing an enormous amount of federal law which in practice reaches further than mere inter-state trade, and involves co-operation, and in many cases, supervision of state agencies by federal authorities.

In the Department of Agriculture, this growth of federal supervision is especially apparent, so that the Secretary of Agriculture

now finds a very large part of the duties of his Department involved in the enforcement of regulatory laws, such as the Cotton Futures Act, the Grain Standard Act, the Warehouse Act, Federal Aid Road Act, and a long list of other laws. I emphasize this national tendency at the outset, in order to point out what bears more particularly upon the topic assigned to me for discussion namely, "The Status of Agricultural Legislation in the States."

Our states have been the experimental laboratories in which numerous experiments in legislation have been performed. Many of them, perhaps most of them, have been without fruitful results, since an examination of our state statutes show numerous laws passed with the best of intentions which have been forgotten and later repealed when the statutes were revised. A few, however, have survived and become the basis upon which other states have operated in inaugurating similar laws, and when several states have acted on the subject, the federal government steps in with a law on the same subject, with respect to inter-state affairs, and then begins the task of correlating state laws, correcting defects, contradictions and conflicts, so that the federal government and the various states may work together in harmony. The most recent example of this process, has been that with respect to cold storage legislation. When Congress attacked the job of preparing a new federal law, the solicitor of the Department of Agriculture was asked to report concerning state laws on the subject. This report was made. While the federal law is in theory supposed to be based on the best points of the state law, as a matter of fact it is a compromise between the opinions of various interested parties, and is in no sense to be regarded as a model law. The enactment of federal laws, however, tends to bring about uniformity and clarity in state laws.

A mention of a "model" state law, brings before us the question of the function of a federal department in reviewing a situation and preparing the skeleton of legislation to be adopted by the states. As a basis for such model laws, the state laws on quite a variety of subjects have been assembled by various bureaus of the Department of Agriculture, including such a diversity of subjects as the following: Automobile licensing; Highways; Dairy standards; Cooperation; Fertilizers; Foods and Drugs; Insecticides; Irrigation; Drainage; Tuberculosis in animals; Bee keeping; Forestry; Birds and game; Fur-bearing animals; Dog licensing, and the like. In several instances, bureaus have prepared suggestive "model" laws, and have secured their enactment in a large number of states by merely suggesting the need and outlining the law. They have had no control over the situation other than their power to develop public sentiment in favor of legislation on the subject, leaving the details of the matter to be worked out by the legislatures.

It is generally recognized that there must be variations in legislation on special subjects, according to the conditions existing in various states, and there has developed in some quarters a feeling that the federal departments are going rather too far in suggesting

these so-called model laws. The importance and desirability of uniform legislation, so far as may be possible in the various states, is however, much more apparent to those engaged in the enforcement of federal laws, than to anyone else. The expense and work involved in keeping in touch with the changes in state legislation, is alone quite a task for such federal departments as that devoted to agriculture. It is no small job to make an up-to-date summary of state legislation on any particular subject. It involves a search of the various state statutes, a constant checking up of new legislation, and for such work, there seems to be no central federal office at the present time.

It has been frequently suggested recently that there should be some national machinery for collecting and studying state legislation that has an influence in a national way. There exist at the present time, a multitude of examples of conflicts and contradictions between state laws on the same subject, for which no logical excuse can be offered, other than the legislature of one state wanted the matter handled in one way, and another state chose a different method.

Just what form a national organization should take, which should have for its duty the analysis of this subject, is not wholly clear at present. Some of those familiar with the subject, feel that a federal bureau should be created for this purpose. On the other hand, there is a strong conviction developing that through federal legislation, we are gradually imposing upon the states, certain limitations which are in conflict with the rights of the states to legislate as they choose for their own people. This sentiment is frequently expressed in Congress, as well as in the legislatures, and brings up what seems to be a pertinent question for the American Association of Agricultural Legislation to consider, namely—What is the proper relation between federal and state legislation upon the same subject; where does the state's authority end and the federal authority begin; are we building up too much duplicate machinery, adding to the cost and burden of government, complicating the relations of business and adding to the burdens of the courts, charged with the interpretation of legislation?

Perhaps the most outstanding need is for an organization or bureau which shall be in a position to advise with legislatures in the states, and with Congress, regarding the character of laws to be enacted. As one views Congress and the state legislatures in action, he cannot fail to be impressed with the haphazard methods in which laws are created. There are now before Congress some fourteen thousand bills, which are poured into a general hopper, referred to committees without being assorted or scrutinized in any way to discover how many of them are really meritorious, how many are inspired purely by personal interests, without any appreciation of the questions involved, how many are in conflict with existing laws, and should really be framed merely as brief amendments to other laws, and how many are in absolute conflict with previous decisions of the courts on similar subjects.

Some of the states have taken steps to inaugurate a screening process, which segregates the good from the bad, but there is yet a very great need for improvement in this direction. One is also impressed with the fact that many members of legislatures and Congress come into office without previous experience in legislating, and are entirely ignorant of how to begin to correct a condition which may need correction by means of legislation. Some sort of a school for law-makers, or at least a guiding hand that will make our statutes as near fool-proof as possible is needed. A practical problem for many lines of business is how to know when they are within the law and every business with a national scope is now obliged to build up a legal organization of its own, to protect its own interests.

It appears to the writer that no more helpful work could be accomplished by this Association, than to prepare, through various committees, summaries of state and federal legislation on the more important branches of agricultural interests, to be distributed to members of legislatures and to interested persons of the general public. There are a number of good reasons why this work could be accomplished more effectively by committees of the National Association, than by a particular federal bureau. There is no way in which this Association could more quickly justify its existence and secure wide-spread support, than by rendering such services.

Summarized, the need appears to be; first, to discover just where we are with respect to legislative development, and second, to place, if possible, some definite limitation upon the growing complications in legislation which are so apparent to all that are in any-wise associated with their enforcement. The problem is not so much that of devising new legislation, as one of securing a simplification of the present laws, so that the average citizen may have some adequate idea as to when he is within the law.

STATUS OF AGRICULTURAL LEGISLATION IN CONGRESS

EDWARD WIEST, Ph. D., University of Kentucky

The time was when agricultural legislation received little or no attention from farmers generally. That time was before the days of farm organizations. The Grange was the first effort of importance to bring concerted pressure upon law-making bodies concerning favorable agricultural legislation. The national and state dairy associations have played a vigorous rôle in oleomargarine and dairy legislation. Up to the period of the war, however, these efforts on the part of agricultural interests to influence legislation were more or less spasmodic and were largely confined to only a few of the specialized agricultural activities. This situation passed into history with the establishment of the National Board of Farm Organizations at Washington, D. C., which is a representative body of the important farm organizations in the United States. It is not to be understood that farm organization has reached its highest development, for large numbers of farmers in different localities

are still outside the pale of organization. It should be recognized, however, that agricultural organization has proceeded sufficiently far to make possible by concerted action initiating and supporting favorable legislation, the opposing of unfavorable legislation, the following of bills in congress by experts through all the stages of legislative process, and the guarding of agricultural interests by trained delegates against unfair administration of the law.

The more important agricultural legislation before Congress at this time aims to secure collective bargaining for the farmers, to change the oleomargarine law, to regulate the packing industry, to enact a cold storage law giving the Secretary of Agriculture greater supervision over foodstuffs, to regulate the manufacture and sale of animal feeds and fertilizers so that their composition and value may be definitely known to the consumer, to improve our national highways, and to continue and extend the manufacture of nitrates under the direction of the War Department. The manufacture of nitrogenous products was carried on under governmental direction during the war and it is now proposed in a bill introduced by Senator Wadsworth at the request of Secretary of War Baker that the Government plant at Muscle Shoals, Alabama, be utilized for the manufacture of nitrates in the interest of cheap fertilizers for the farmers. This bill has some support among southern farmers but apparently very little elsewhere.

The bills dealing with good roads, pure feeds and fertilizers suggest legislation that has a very important bearing upon economic relationships. They should receive a large measure of attention from the farmers. The proposed agricultural legislation attracting widest attention among farmers are the Capper-Hersman bill providing for collective bargaining, the Sabbath and Calder bills providing for a nominal flat rate of tax per pound of oleomargarine law, the Kenyon and Hendrick bills providing for the regulation of the packers, and the cold storage bill passed by the House. In this discussion attention will be invited only to these four pieces of proposed legislation.

The Capper-Hersman bill has been initiated by the farmers themselves and is the one that is receiving the most active support of farm organizations. The bill proposes to amend that part of section 6 of the Clayton Act which states that "nothing contained in the anti-trust laws shall be construed to forbid the existence and operation of labor, agricultural, or horticultural organizations, instituted for the purposes of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objects thereof." The law as it stands obviously does not exempt a farm organization having capital stock and declaring dividends on capital invested from the operation of the antitrust acts. Nor does it set forth what the legitimate objects of a farm organization may be.

In order that the federal antitrust law may exempt farm organizations from its operation in unmistakable language the Capper-

Hersman bill proposes that existence shall not be forbidden to agricultural organizations "instituted for the purposes of mutual help and that pay annually no greater dividends on stock or membership capital invested than the minimum legal rate of interest of the State where organized." In order also that the law shall clearly define the legitimate objects that may be lawfully carried out by such organizations it is proposed that collective sales of farm products be specifically allowed. The Capper-Hersman bill makes provision for this in the following terms: "associations, corporate or otherwise, with or without capital stock of farmers, horticulturalists, vineyardists, planters, ranchmen, or dairymen engaged in making collective sales for their members or shareholders of farm, orchard, plantation, ranch, dairy, or vineyard products produced by their members or shareholders are not contracts, combinations, or conspiracies in restraint of trade or commerce." In another paragraph the bill provides that the organization may prescribe the terms and conditions of such collective sales.

There are then two points in this bill upon which the farmers seek legislation. In the first place they ask that the farm organizations producing and selling their own products be set out or differentiated from ordinary business corporations. The legal technicality that is to differentiate the agricultural organization in this way is the proposal to exempt from the operation of the antitrust acts the farm organizations paying dividends not greater than the current rate of interest. This is in fact an extension of the no-profit principle embodied in the Clayton Act and in corporation law generally. It is now proposed that the paying of dividends no greater than the current rate of interest be regarded as a payment for the use of capital and the distribution of any earnings above the current rate of interest as profit. With this legal differentiation of the farm organization it is hoped that its business activities are less liable to be construed as monopolistic and therefore less liable to lead to prosecution. In the second place the farmers seek the legal right to bargain collectively and refer to Section 6 of the Clayton Act as giving a similar right to organized labor. The two cases are, however, quite dissimilar in as much as the Act very properly declares human labor not a commodity.

Whether or not the amendment if adopted will very materially strengthen the legal position of the farm organization depends upon its own price policies and general business methods together with the attitude of the court. The court looks through the form of business organization to the intent and purpose of the concern, and declares monopoly illegal wherever found. It is, however, true that the adoption of the proposed amendment to the federal antitrust act will probably give great impetus to the movement, already begun, to enact state membership corporation law under which co-operative agricultural associations may organize and be thus clearly differentiated from ordinary business corporations. This new status of the farm organization will probably shield it considerably from antitrust prosecution.

The origin of the Capper-Hersman bill must be found in the recent and rapid organization among producers of milk for fresh consumption in urban centers. Organization among milk producers is proceeding rapidly and in many parts of the country it has become sufficiently effective to sell at one price through its own delivery system or to dictate the price at which it will sell to the middlemen. These conditions have led to the institution of legal proceedings in New York and other states under antitrust acts. Federal authorities have also investigated the activities of the milk producers serving Chicago. It is therefore very natural that this bill should be drawn up by representatives of the National Milk Producers Federation and that it should have their active support. It is, however, a bill that appeals to agricultural interests generally. Wherever farmers have organized to the extent that collective sales can be made, this bill will receive strong and hearty support. This condition obtains largely among fruit growers and to some extent among cattle raisers and wheat growers.

The economic effects of this bill if enacted, and providing the attitude of the courts will not be unfavorable to the farm organization will probably be considerable. It will lead to more comprehensive organization among farmers. Competition among sellers of foodstuffs will be largely eliminated. Where organization will lead to a control of the supply, prices will be fixed between groups of buyers and sellers for definite periods and speculation attending price fluctuations in foodstuffs will virtually disappear. It will change considerably the market organization, eliminating the present-day middleman where the distributing process is more or less simple. Finally where these conditions may be realized it will oppose the urban consumer to the farmer which must necessarily lead to municipal or governmental price-fixing or else to the organization of the communities into consumers' leagues with which the farm organization will agree upon prices.

Two oleomargarine bills known as the Calder and Sabbath bills are arousing strong opposition among the dairymen of the country. The Calder bill may be dismissed with the statement that it provides for the interstate shipment and the sale of oleomargarine in the original package without being subject to state oleomargarine laws. Such a law would very seriously hamper the state dairy and food commissioner in his efforts to prevent fraud and only very little if at all expedite general observance of the provisions embodied in the Sabbath bill.

The Sabbath bill proposes (1) that a flat tax rate of $\frac{1}{2}$ of one cent per pound on oleomargarine manufactured for sale instead of 10 cents per pound on colored oleomargarine and $\frac{1}{4}$ of one cent per pound on uncolored oleomargarine as provided for the the present law, (2) that oleomargarine shall be sold in original packages only, (3) that packages shall be small allowing a variation in size from $\frac{1}{2}$ pound to 10 pounds, (4) that each package shall be sealed with an Internal Revenue stamp, (5) that the word "Butterine" shall be impressed on the brick or roll and each wrapper

and container of the product be branded with the word "Butterine," (6) that wholesalers keep proper records of receipts and sales, (7) that heavy penalties be imposed for the removal of oleomargarine from the factory in any other form than in packages sealed with Internal Revenue stamps or for making of false entries by wholesalers.

The provisions of the Sabbath bill are almost verbatim the recommendations made by the International Revenue Commissioner during recent years. These recommendations have been made primarily in the interest of a more satisfactory administration of the oleomargarine law. Important changes would result from this bill if enacted into law. Probably all oleomargarine would be manufactured and sold in the colored form. It would however, be clearly distinguishable to the consumer because it would appear in the retail trade in original packages, properly branded. The bill proposes that "Butterine" be substituted for "Oleomargarine." This should not be done because it does not distinguish the product clearly and definitely. The consuming public is acquainted with the present manner of branding and there is no good reason for making the proposed change. The provision of the bill would reduce fraud to a minimum, because the law would ignore the question of color and the sale of the product as oleomargarine would be more safely guarded than under the present law. The change of the tax rate would increase the revenue by several hundred thousand dollars. There is no justification for the increase in the rate of the tax from $\frac{1}{4}$ of one cent to $\frac{1}{2}$ of one cent. Oleomargarine has won a place for itself as a wholesome article of food and a tax greater than necessary for regulating purposes violates the principals of ability to pay. The fact that oleomargarine would be colored in imitation of butter by the manufacturer would only slightly increase its demand. It is true that people like to see the product colored but the two important factors that control the demand for oleomargarine are its quality and its price as compared with butter. It can easily be shown that fluctuations in the consumption of oleomargarine vary directly with those of butter prices. Immediately after the act of 1902 which placed a 10 cent tax on the colored product there was considerable decline in the consumption of oleomargarine, but there was at this time also a sharp fall in the price of butter. The facts indicate that color restrictions only slightly affect consumption and that the fears on the part of the dairymen that if all oleomargarine were colored it would destroy the butter industry, are wholly unwarranted.

The consumption of oleomargarine has increased from 107 million pounds in 1900 to more than 320 million pounds in 1918, which shows that it has become an important article of food for those who cannot afford to pay the price of butter. The economist cannot take the position of advocating legislation specially favoring the dairy interests. The butter industry must stand or fall without any special privilege accorded it by the government. It must compete in both quality and prices with oleogargarine. This competition,

however, must be fair. If oleomargarine is sold at monopolistic prices the consuming public may justly demand that monopoly in the production and sale of oleomargarine be destroyed.

Two Senate bills providing for the regulation of the packing industry, and more or less similar, are the Kenyon and the Kendrick bills. The Kenyon bill is more complete and is drawn in greater detail than the Kendrick bill. Attention will therefore be called to the provisions of the Kenyon bill only. The report of the Federal Trade Commission and its recommendations as to the control of the packing industry were available for the drafting of the bill. Many hearings have been conducted by the Senate Committee on Agriculture and Forestry. Owing to the investigation of the packing industry by the U. S. Attorney General and the resultant agreement entered into recently between him and the packers, some changes in the provisions of the proposed legislation may be made. According to Senator Kenyon's statement, however, the attempt will be made to enact into law the main provisions of the bill in order that the industry may be subjected to regulation more or less generally desired by agricultural interests and the consumer.

The main provisions of the Kenyon bill are the following:

It is proposed that a Commissioner of Foodstuffs be appointed with a salary of \$10,000 a year for a term of five years and placed under the authority of the Secretary of Agriculture to secure efficient administration of the provisions of the bill.

Licenses for interstate business must be secured from the Secretary of Agriculture by all slaughtering establishments, stockyards, commission men handling live stock in connection with stockyards, dealers buying and selling live-stock products, and manufacturers and dealers handling dairy products, poultry, and poultry products. The dairy and poultry interests need not secure licenses unless their volume of business exceeds \$500,000 per year.

Section 7 $\frac{1}{2}$ provides that after two years from the date that the act becomes effective no concern engaged in preparing live-stock products or in marketing such products may have ownership in stockyards. The bill thus provides for divorcing the stockyards from the packing industry.

The bill also provides that after six months from the date the Act takes effect common carriers shall employ only their own refrigerator cars. Arrangements, however, may be entered into between the carriers and others owning or controlling cars, providing these arrangements are submitted in writing to and approved by the Interstate Commerce Commission.

Unfair, and unjustly discriminatory practices are declared unlawful, including combinations among licensees in buying and selling for the purposes of apportioning the supply and controlling prices.

Licensees must keep adequate records of transactions and of the ownership of their businesses. They must render regular and special reports to the Secretary of Agriculture. The information as to supplies, their location and movement, is to be furnished by the

Secretary to all licensees. This provision would secure adequate market information and would make the Department of Agriculture the distributing center of such information.

Regulation of licensees is broadly outlined and provides that detailed regulations shall be presented by the Secretary from time to time. A high degree of cooperation between the Secretary and the licensees is suggested. Standardized plans and specifications for buildings and grounds shall be proposed by the Secretary and submitted to licensees free of charge. The Secretary shall assist licensees in securing adequate transportation service. All licensees are subject to inspection and conditions of sanitation in their establishments must conform to standards prescribed by the Secretary of Agriculture.

The collection of production and marketing costs of live-stock, dairy and poultry products and investment costs of stockyards is specially provided for; and full inquisitorial powers are given the Commissioner of Foodstuffs to carry out this provision.

The power of suspending or revoking license is vested in the Secretary of Agriculture. Such action, however, may only be taken after the licensee has been granted a hearing. Testimony must be taken in writing and filed. Suspension or revocation orders must include findings of fact. Appeal from the Secretary's decision to the courts is sufficient guarantee against the exercise of autocratic power by the executive branch of the government.

This bill together with the provisions of the cold storage bill passed by the House will very greatly increase the regulatory function of the Department of Agriculture. It marks a step in the very rapid development of the Government's supervision over foodstuffs, which may be expected to be extended still further. The Department of Agriculture is the logical executive branch of the Government to carry out the provisions of the bill in as much as it has already control of meat inspection, the administration of the pure food law, and performs other regulatory functions that concern foodstuffs.

The Palmer agreement cuts off a link at each end of the packers' chain in as much as it calls for the sale of the stockyards and a complete dissociation of the packers from the retail meat business. It therefore goes further than the Kenyon bill. The Federal Trade Commission recommended government ownership of stockyards, rolling stock for the transportation of meat animals, refrigerator cars, branch houses, and cold storage plants. The Kenyon bill provides for private ownership of stockyards separate from the packing industry, and for private ownership of refrigerator cars and strict regulation by the Interstate Commerce Commission. The Kenyon bill is therefore drawn along conservative lines and goes about as far as the farmers desire. Probably the majority of the people of the country will also be satisfied with the degree of regulation and control provided for by the bill.

A cold storage bill has been passed by the House with only four votes opposing it. The main provisions of this act are that all

foodstuffs used in interstate commerce and placed in warehouses cooled to or below 45 degrees Fahrenheit shall be carefully marked with dates of entrance into and issue from such warehouses, that the time for storing all foodstuffs except cheese shall be limited to 12 months, that the inspection as to compliance with the law and the supervision of conditions of sanitation of warehouses and refrigerator vehicles be vested in the Secretary of Agriculture, and that the Secretary shall supervise the importation of foodstuffs. Appropriate records to be prescribed by the Secretary shall be kept and monthly reports shall be rendered showing amounts in storage and such other facts as the Secretary may desire.

Under the definition of the term "warehouse," the bill includes the producer's warehouse as well as that of the wholesale trader. The refrigerator vehicle, however, is not included nor is the cold storage room of the retailer. If the bill is enacted and no changes are made by the Senate all goods placed in cold storage by the producer only for the period preparatory to shipment will have to be marked with the time it was in cold storage. This point seems to be the center of attack on the part of produce merchants. The farmers seem to be little interested in the proposed legislation, but the trade journals are calling attention to a probable reduction of the selling value of fresh foodstuffs marked as having been in cold storage and in this way hope to align the farmers with the opposition party.

The measure will have little effect upon the cost of living notwithstanding the hopeful attitude of the public. It is in fact a pure food measure giving authority to the Secretary of Agriculture to standardize the conditions under which foods shall be stored preparatory to shipment, while in transit, and before offering for sale. It is also supplementary to and in general accord with the proposed legislation looking to the regulation of the packing industry. A very important economic result of the bill will follow from the provision giving authority to the Secretary of Agriculture to collect statistics as to stocks on hand. The manipulation of market news with a view to control prices will be rendered abortive, and in fact the socialization of demand and supply prices will be centered in the Department of Agriculture.

The attitude of these bills now in Congress toward farmer and merchant may be said to be different. Farmers are to be given the right of collective sales under the Capper-Hersman bill, while that right is to be denied to the produce merchants under the Kenyon bill. This is, however, not a correct statement of the situation, in as much as the Kenyon bill provides for the licensing of dealers buying and selling dairy products whose business exceeds \$500,000 a year causing the dairy merchant as well as other produce merchants to fall under the provisions of the bill. Should organization among farmers displace the present-day merchant, the farmer himself would become the merchant and hence would also be subject to the provisions of the Kenyon bill.

COMMITTEE REPORTS

I.

COMMITTEE ON EDUCATION AND RURAL LIFE

The Organization of the Committee.

The theory of organization of the committee is based on the idea that each member of the committee will become responsible for a piece of legislative study. Each member, moreover, will have a sub-committee, of his own choosing, especially perhaps a secretary who will give some time to the selected subject.

The committee has had one meeting during the year, viz, at Chicago in November. The topics or subjects for study, and proposed legislative treatment have been quite definitely settled upon. In the nature of the case, a considerable stretch of time must elapse before these studies can be brought to completion, as the materials must all be assembled anew.

II.

Subjects of Study.

A.

In the field of education, it is deemed timely to collect information on the legislative steps which states have taken relating to country "teacherages." It is well-known that country schools in most sections of the United States suffer because no adequate home, or attractive abode, is provided for the teacher. The teacherage solves the home question for the country teacher, and has become an accepted idea in rural educational policy as an adjunct to the consolidated country school.

It is expected that a legislative bill will be drafted covering the subject of "teacherages" for introduction into various state legislatures.

B.

A basic deficiency in country life is the lack of municipal machinery for groups of country people who have the characteristics of a community. Community-ness requires governmental powers in order to make the community capacity effective in action. Study into the sort of territorial group which has municipal possibilities is deemed by the committee well worth while. For example, the very popular consolidated school district may prove to have municipal capacity for enlarged powers. This subject will receive the attention of the committee.

C.

Country life needs a place, a building with ample facilities for socialization, in order to develop its community consciousness and life. The subject of rural community houses, clubs, or buildings built and operated through local government agencies, is a timely subject of inquiry. The committee will assemble the laws on this subject and endeavor to promote by appropriate legislation, the building of such community centers.

D.

Rural health is a subject of grave economic as well as of humanitarian concern. The committee wishes, therefore, to speed the introduction of the most approved agencies which minister to the health of rural populations. The county nurse probably has been so approved. The extension of hospital service to country people is a pressing need. The committee will make the country public nurse and the country hospital a legislative topic.

III.

Legislative Propaganda

As soon as a legislative subject shall have been studied, a bill been framed, and a bulletin published, the question of pushing for legislation in the states will arise. It is anticipated that at this point it will be necessary to have a promoting committee in each state. Possibly the association should instruct each of its committees in regard to promotion policies.

(Signed) C. J. GALPIN, Chairman.
E. C. BRANSON,
K. L. BUTTERFIELD,
H. W. FOGHT,
A. R. MANN.

STATEMENT BY COMMITTEE ON PUBLIC ROADS

By J. CLYDE MARQUIS, *Chairman*

The following members are recommended for the Committee:
J. Clyde Marquis, Chairman.

Dr. Hess, Economist, University of Wisconsin.

H. S. Shirley, National Highway Council, Washington, D. C.

Pike Johnson, American Automobile Association, Washington, D. C.

The scope of work proposed by the Committee includes the following:

1. A review of present highway legislation.
2. A review of national and state highway policies and methods of administration.
3. The economic factors determining the proper development of highways.

The Committee proposes to work in close co-operation with the Office of Public Roads and the Roads' Committees of all other organizations in the development of a national highway policy for the purpose of aiding in the direction of public interest and sentiment on highway matters. We propose to immediately prepare a statement concerning the impending legislation providing for a national highway system, now before Congress, by securing an expression of sentiment from the members of the Association of Agricultural Legislation.

Washington, D. C., December 26, 1919.

REPORT OF THE SECRETARY OF THE AMERICAN ASSOCIATION OF AGRICULTURAL LEGISLATION

By RICHARD T. ELY

As secretary of the American Association for Agricultural Legislation I am glad to report that we have made appreciable progress in the realization of our aims and purposes as an Association for Agricultural Legislation. Our work so far has not been mainly to influence legislation, but rather to set up the machinery and perfect the organization through which influence may be brought to bear most effectively. The Association has, however, had the privilege of advising with respect to some legislation; it has furnished information to several men in different states about specific laws; and it has furnished bibliographies regarding legislation in specific fields. It has used its best offices in securing a modification of the census schedules to give a better and more detailed account of farms and farm population.

We have no means of measuring the influence the Association has had on legislation through the individual efforts of its members. Doubtless it has been considerable. The mere connection with an organization that is constantly analyzing and discussing rural social and economic problems tends to promote legislation along the lines investigated by stimulating people to think in terms of agricultural problems. We are of the opinion, too, that the great amount of literature we have sent out has played its part in helping to arouse the interest that is now centering around agricultural problems.

Our correspondence indicates that it is easy to arouse public interest and sympathy for the things we propose to do. In fact, our trouble is not in finding men to push the ideas worked out, but in getting them to see that it takes time and expense to get the necessary facts relative to most of the more pressing agricultural problems.

It will be granted, for example, that agricultural credit is deficient and operating under adverse limitations, but who has analyzed the conditions as to exactly the type of credit needed in any particular state, and the foundation afforded for that credit. When Congress undertook to enact a rural credit law it laid the foundation for it by extensive studies in Europe. But we have generally found that a law adapted to conditions in Europe does not necessarily work well in America. It was perfectly proper to study the organization and operation of such institutions in Europe, but it was much more important to make a still more thorough study of our own situation. Our legislative policy has been more or less analogous to the physician who prescribes without making a proper diagnosis of his patient. Just at present there is great enthusiasm for building rural community houses and memorials. It is indeed a fine idea, but who knows just what a rural community is? A casual dip into the literature on rural problems shows that there are almost as many ideas as to what a rural community

is as there are writers. These examples are not exceptions, the same vagueness and lack of definite information surrounds most of the rural problems. The problem of tenancy, a subject which has been as much discussed as any other domestic problem, has been grossly misunderstood and misrepresented. Most of the literature has been built upon personal opinion or superficial facts. As a result, a great deal of prejudice has grown up regarding the whole subject. When the A. A. A. L. bulletin on tenancy appeared and took the scientific point of view, it met with an unusual reception.

All of this shows that there is here a wonderful opportunity for investigation by a body of social and economic experts when backed and encouraged by farmers and people interested in agriculture. One of the most difficult tasks in the promotion of this work will be to keep from going too fast. As a body of scientific men, men interested in promoting the highest interest of our great basal industry, we must force ourselves to proceed with caution; for a mistake made in the beginning is a serious mistake. Indeed, the Association must lead in developing scientific methods as one of its main functions. Accordingly, the foundations of our organization must be laid on the bedrock of facts, and, in so far as possible, on the experiences of similar organizations.

Most of you realize, however, that precedent furnishes but little help in the field we are proposing to develop. There are no organizations in the field with similar purposes, and there has been none exactly like it in the past. It is true that farmers' organizations now have, and have in the past had legislative programs. In some instances they have accomplished great good. The Grangers, in what is known as the Graner legislation, performed a distinct national service, even if they made many mistakes. These and other instances, perhaps just as important, do not parallel the work we propose to do, for theirs was and is primarily political and propagandist while ours is intended to be primarily scientific, arrived at through painstaking research. Theirs was a more or less public uprising demanding the destruction of certain notorious evils. Our Association will attempt to furnish correct and abundant information for use in such circumstances, but it will go much further than that. It proposes to form a constructive program. It is not enough that agriculture and the rural population be relieved from those maladjustments. Conditions must be so modified that they will give agriculture its proper place, and give the agricultural population equal social, political, and economic advantages with those engaged in other lines of business. It is in the latter part of the program that we must do our real constructive work.

The Grange, the Farmers' Alliance, and other great farmers' organizations, had no body of experts whose business it was to make thorough social and economic analysis of the agricultural situation and its relation to legal remedies. Their endeavors were commendable, but lacked the sustained effort, and, too frequently, the proper social and economic analysis, to give the best and most lasting results.

Judging from the experiences of so many farm organizations, it is alleged that the farmers will not stand together; but we are persuaded the farmers have often been unable to unite on matters of legislation simply because the proposed laws were based on opinion and not on demonstrated data. We believe that when the facts are worked out through the exhaustive research of a body of people, in whom they have confidence, there will be no trouble in getting the program enacted into law.

No sporadic effort can accomplish the purposes sought here. Indeed, it would be difficult for a farmers' organization as they are now organized to accomplish the results contemplated. They are organized for a different purpose than research. They are business men with definite objects to gain. Furthermore, they do not have the facilities available for the work, or the men trained for the scientific research necessary.

The American Association for Agricultural Legislation is not seeking to supplant any existing farmers' organization. It is seeking to cooperate with them for the direct purpose of legislation along lines suggested by scientific investigation. Some organization is needed to combine the trained investigator and the active business farmer and his farmers' organization. The colleges and universities furnish our greatest body of trained investigators and those able to direct investigation. Most of the universities, and especially the agricultural colleges, are sympathetic with the farmer's point of view, but in the past it has been impossible for them to render the service they desire because of their official positions. It was to perform just such a mission, to fill just such a place, that this Association was organized. It makes it possible for the farmer and his college and university representatives to get together in the same organization around the same board to discuss the problems and to formulate methods of attack.

The Association must avoid taking the opinions of any faddist or combination of propagandist. It must say to all alike, "we must have the facts and will be governed only by the facts." It must take the lead in organizing to find out what the facts are. It must have no connections that would embarrass it in setting forth the facts as they are. The Association is looked upon as being such an organization, and as it grows in importance we must be careful to maintain that reputation, otherwise the influence of our work will be greatly lessened.

The Executive Council has encouraged the use of every legitimate means for the advancement of the aims and purposes of the Association. As a result we have taken two very important steps since our last meeting. In the first place, it was thought advisable to begin a definite publicity program, and to prosecute it as rapidly as finances would permit. Four monographs have been sent out during the course of the year, and there are at least three others practically ready. While the publication has been on a very modest scale, it has demonstrated its usefulness and its possibilities. The new members which were gained largely as a result of the

publication of a bulletin have almost paid for its publication. People seem hungry for the sort of material we propose to publish, and if the Association had the funds to finance a definite program, it would readily become self-supporting.

The second important step taken was the beginning of the organization of a nation-wide study program dealing with agricultural legislative problems. Notwithstanding all the imperfections of the program in the way of general organization, the combination of so many different points of view, and the fact that it came out long after most of the research in the various schools had been organized, it has met with a very encouraging reception. Perhaps one-third of the institutions approached on the matter have agreed to coöperate in making it a success. We confidently believe that with the proper facilities, enabling us to push the work as planned, the great majority of colleges and universities will be using this program in some form or another within the course of a year or two. It must be kept constantly in mind that this is a coöperative affair, and that the program must always be broad enough for the expression of individuality. If carried out on these broad lines, it offers each college a rare opportunity to get the constructive thought of the leading men of the country. It will be even more significant than that. If it be granted that the farmers and farmers' organizations take kindly to the purposes of this organization, it will give them an opportunity to help direct research along lines that seem to them most desirable. If the Association is successful in bringing about closer relations with the men of the social and agricultural sciences on the one hand and the farmers and those directly interested in the farm on the other, it will have accomplished a result well worth our most ardent efforts.

Indeed, it seems to me that a man of means, seeking to accomplish the greatest good with his fortune would do well to endow an organization that had for its purposes the aims suggested here.

The study programme and the publicity policy will work most beneficially together for the demand for publicity will expand enormously as a result of our study program. And the efficiency of our study program will depend to a large extent on the extent of our publicity activities. Publicity will play a large part by stimulating ambitious students to give thought to the problems and adherence to the programme; for they will have an opportunity to have a share in a movement that proposes to render a vital service. The coupling up of publicity with the study programme will be a tremendously effective means of developing more real, efficient leaders in agriculture.

It is a great stimulation to action for the people in one community or state to know what the people in another community or state are doing. To know that beneficial laws have been enacted in Wisconsin, North Carolina, or California is a great stimulus to similar progressive legislation in Iowa, New York, or Texas. But it is not enough to know that such and such a law is on the statute books of some particular state. It is much more important to

know the peculiar conditions under which it operates, and the particular objects it is proposed to accomplish, and how well it is accomplishing the objects aimed at.

Those of you who are familiar with the study programme realize that it covers a very large range of topics, and covers them in a rather comprehensive way, perhaps not always in the best way for the purposes we have in mind. It is necessary that we keep high academic standards, but at the same time we must frame these study programmes to accomplish practical ends and aims. It has been recommended that the members of each committee work out a definite policy, and that at least the chairmen of each committee get together as a Committee on Study Programs and weld each separate part into a working whole.

The amount of correspondence of the Association has increased very greatly. We have sent out approximately 2500 letters in answer to inquiries or in bringing the Association before the public. We have had the part time service of Mr. A. B. Cox in helping with the correspondence and managing the publicity part of the work. If the work continues to grow as it has during the past year, it will be impossible to handle it efficiently without a man to give his full time to it.

Our correspondence indicates that the time is ripe for the Association to inaugurate a very vigorous programme. The Association is performing a unique service and can expand it almost indefinitely when it is financially unfettered. The public mind is certainly ready for it. The Association has made considerable progress and has arrived at the point where it needs some man who can sell an idea. It will not be a great task; those interested in agriculture feel very keenly the need of the service we propose to perform. It resolves itself into the question of getting sufficient financial backing to set the machinery in motion on a full time basis. It is the same old story, "we will support you when we see you are going to be able to do the things you propose," but we cannot carry out the programme we propose until we get more funds.

There are something over 375 members at present, an increase of over 100 during the year. We have been careful to put our advertising where we thought it would accomplish the greatest good, but at the same time we have spared no pains, in so far as funds would permit, to send our advertising into many fields.

Many of our members have been so generous in their gifts as to enable us to do more than the small membership would indicate. It is hoped that still more will be willing to give generously to make more effective the work that has been outlined.

But when sufficient funds are available and we begin to develop our study programme and expand our publicity activities, we must avoid degenerating into a discussion society, or the mere publisher of a magazine. Study programmes and publicity are not ends in themselves, but legitimate means to be used in promoting our purpose of securing sound agricultural legislation. We must

not be contented with making analyses of problems; we must translate those analyses into simplified workable legislative programmes. In some instances it will be best to express our views in the form of model bills, in others in the form of resolutions and memorials to legislative bodies and the public. This does not mean that we are to become a political organization—that would be as far from our purpose as a mere discussion society. It is easy to advocate and promote sound legislation without entering partisan politics.

Our purpose then is to use the study program, publicity and other available means to combine the theoretical and the practical in the field of agricultural research and legislation, and thus make practical the theoretical. A body of people grouped together working scientifically for practical ends and without selfish motives can accomplish results that would seem almost marvellous. The American Association for Labor Legislation is a very pertinent illustration of a similar organization in a different field, which is doing for labor what our organization hopes to do for agriculture. Labor has learned that it pays big dividends to cooperate with college men. The Association for Labor Legislation has accomplished more in the standardization of labor laws and in the scientific development of labor legislation than other agencies combined. The Association has accomplished these great results through the scientific investigation of facts, careful study of all existing laws covering specific matter and consultation with those practically affected by the proposed laws. This has been followed by recommendations so carefully worked out that they have commanded the respect and received the attention of legislative bodies. The enthusiasm engendered by their Association has not only led students but leading university professors into the shops and factories for first hand study.

Be believe that the American Association for Agricultural Legislation can be made to perform a like service for the advancement of agriculture. If the farmers, college men and others interested in agriculture will support the Association as its aims and purposes deserve that they should, the next ten years will show wonderful advances in agriculture so far as sound legislation can advance it. We will have scientific men going from the colleges into the fields to study the agricultural problems, as they now leave the college to go into the shop to study the problems of labor.

Our purpose is to deal with agriculture in its broader constructive aspects. We propose to help discover that social and economic organization of agriculture that will result in the greatest good to those engaged in the industry consistent with national interests. Such a purpose demands that we work out a policy to prevent the mere fact of being born in the country depriving the child of the benefits of a high school education, even the advantages of competent sanitary and medical attention; it means that constructive land policies must be worked out to prevent the growth of a peasant class in America; it means that an efficient system of market-

ing must be developed to prevent any exploitation of the farmer, and to insure that all products pass from the producer to the consumer with the least cost and friction; it means the organization and improvement of our system of highways to prevent gluts and waste on the farm as well as in our central distributing centers; it means that a system of credit must be worked out that will make the farmers' security as available for his purposes as the credit of any other class is available for its purposes; it means that all legislation must be so constructed as to give agriculture equal legal protection and encouragement. When the American Association shall have accomplished these things, it will have begun to accomplish its aims and purposes.

THE BUSINESS SESSION

The business session of the meeting was held at 10:30 December 31st, with Prof. Ely presiding. The treasurer read his report which was approved. The Committees on Rural Life and Roads submitted written reports which appear elsewhere in this publication.

The Committee on Nominations nominated Frank L. McVey for president, James E. Boyle and E. G. Nourse for vice-presidents, Richard T. Ely for Secretary, B. H. Hibbard for treasurer, and the following men for membership in the Council, O. C. Ault, John D. Black, W. S. Handschin and S. A. Lindsey. The report of the committee was adopted by a unanimous vote.

Prof. Ely read a communication from Frank Emerich in which he submitted a plan through which he proposed to raise money for the Association. The Association by unanimous vote instructed the secretary and treasurer to take up negotiations with full power to act. It was also generally understood that if Mr. Emerich should be employed for such a purpose literature gotten out by him must have the approval of Profs. Ely and Hibbard.

Prof. Taylor moved that steps be taken immediately to get the subscriptions of all members in order to put the Association on a better financial foundation. In pursuance of his plan he started three subscription lists, one \$50, one \$25 and one \$10. Every person present subscribed to one or the other. The following subscribed \$50: R. T. Ely, B. H. Hibbard, H. C. Taylor, George Thomas, R. O. Rankin, L. D. L. Weld., C. J. Brand.

The twenty-five dollar list was represented by: H. M. Eliot, L. C. Gray, J. I. Falconer, O. C. Ault, M. L. Wilson, J. D. Black, O. E. Baker, F. W. Peck.

The ten dollar list was represented by: Holbrook Working, A. B. Cox, H. E. Erdman, Theo. Macklin.

A. B. Cox, the Assistant Secretary, made a report in which he outlined the work being attempted through the study program, and the unusual extent to which it is finding a welcome among the various colleges and research organizations. He emphasized the necessity of having a well worked out policy and asked that two plans that are represented in the different committee reports be

thoroughly discussed and evaluated. The first was represented by Prof. Galpin's plan of stating three or four problems and then putting a member on the committee in charge of each. The second was to give a topic outline of the whole field.

The merits of each were discussed at length. The concensus of opinion was voiced in a move by Prof. Gray that the two be combined in so far as possible. The motion carried. Each committee was requested to give a general outline of the field, but that each committee go further and suggest the topics of most immediate importance and bend its efforts to get work done on those.

On motion of Prof. Gray the meeting was adjourned Sine Die.