

PROCEEDINGS
OF THE
FIRST INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
DARTINGTON HALL
TOTNES, DEVON, ENGLAND
AUGUST 26 TO SEPTEMBER 6, 1929

The Collegiate Press
GEORGE BANTA PUBLISHING COMPANY
MENASHA, WISCONSIN

1929

3 cards

Income distribution

THE OCCUPATIONAL DISTRIBUTION OF WEALTH

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THE subject upon which I want to speak to you relates first of all to the problems which centre about the occupational distribution of wealth. It seems to me that this field of occupational distribution of wealth as it relates to the income of farmers as a class is a vital part of agricultural economics. I cannot tell you what the solutions are, but I shall talk about the problems, with the hope that more and more attention will be given to these phases of economics, which determine in a large measure the income and economic well-being of rural peoples.

A few facts with regard to the situation in the United States since the World War will indicate the character of this problem. Prior to the war, agriculture received between 20 per cent and 22 per cent of the national income. Since the war the share of agriculture has been approximately 10 per cent. True, a smaller per cent of the population has been employed in agriculture since the war. In fact, the disparity of incomes has resulted in a very rapid movement of people from country to city. The agricultural population has been reduced about four millions, in spite of the fact that there has been a birth rate very appreciably above the death rate. Just what percentage of the national income agriculture should receive now in order that the per capita income be the same relative share of the national income as before the war cannot be stated with any degree of definiteness, but from such calculations as have been made, agriculture should be receiving 16 per cent in order to be on the same basis as it was prior to the war. The depression of farm incomes has come about as a result of the disparity of the price ratio between the things farmers sell and the things farmers buy. It is difficult to make any satisfactory comparison of the incomes of farmers and of persons engaged in city employments. The costs of living on a farm and the costs of living in a city are very different. The costs of living in cities of different sizes also vary greatly.

For some time the Agricultural Committee of the Social Science Research Council has been endeavouring to develop research which would enable us to compare the relative merits of income in different occupations. It may be that 60 per cent or 70 per

cent in rural districts is the equivalent of 100 per cent in certain cities. All we can do at the present time is to compare the present share of the national income which agriculture receives and its present per capita income with its share and per capita income prior to the war. The question of whether the farmers were getting a fair share then, cannot be gone into until basic research provides a basis of comparing the value of the dollar in acquiring consumption goods by those employed in the various occupations. There is a real hope that this question of comparative cost of living and comparative income will be thoroughly studied in the United States in the course of the next few years.

INCOME

Before going further into this question of occupational distribution of wealth, I want to give a brief analysis of the elements of the farmers' income. I must stress first of all the occupational satisfactions. In any pursuit there may be occupational satisfactions, but I believe there are many more in farming than in the city. City industries, particularly in those industries where mass production has been developed, are particularly lacking in this element of income. A book by Dr. L. H. Baily, "The Harvest," goes very much into this question. It deals with the satisfactions that come from seeing plants and animals grow. These occupational satisfactions constitute a part of the inducement that holds people to farming and are therefore factors in determining the supply of agricultural products and must be taken into account in any comparison between rural and city incomes.

Secondly we must keep in mind that part of the farmer's income consists in what may be called supplies and services provided by the farm. Those making farm surveys will know these are usually calculated at selling prices when making up any statement of the per capita income of farmers.

The third point in this analysis relates to returns to commercial agriculture—the cash income of farmers. It is when we come to this stage of the subject that we find big problems. Under the first and second there are few problems. Viewed from the standpoint of efficiency and comparative incomes of different farmers it is perfectly clear that the farmer who accepts the modern efficiency methods increases his income relative to that of his less efficient neighbor. I do not see how you can discourage him from

making use of the best methods, but when he does this the income of farmers as a class may be impaired through expanded production and lower prices.

In the United States the increase in efficiency of farming has just about kept pace with the increase in efficiency of industry. Why then should not everybody benefit from increased efficiency? The difficulty was well stated by the economist of the "Business Men's Agricultural Commission" when he said in substance: The benefits of increased efficiency in agriculture are soon diffused to the consumers, whereas in the city industries the benefits of increased efficiency are held by those engaged in the industry. Although efficiency in agriculture has increased as rapidly as in other industries, the ability to limit competition has not been developed in agriculture. The adjustment of production to the markets refers to a supply that will command a price satisfactory to the producer. Such limitation of production is now looked upon as praiseworthy in the United States, but farmers have not found the way to act effectively in this regard while many city occupations have. Prosperity in the American city has partly been based upon cheaper food supplies due to a depressed agriculture.

Some of the methods of limiting competition among the middlemen may be mentioned. Not more than two or three years ago there was a meeting of all the dealers in dairy products in the whole territory west of the Rocky Mountains. They formed an association which drew up a set of rules called "Trade Ethics"—not social ethics, but trade ethics—setting out the relation of each tradesman to the others. The object was to provide a basis of competition which would always leave a margin they agreed upon for the handling charge. They might not go to one farmer and offer to buy his milk if he was already selling to another dealer.

In the United States there is a merciless competition of farmer with farmer. The real solution as I see it, does not lie in putting barriers on increased efficiency in farming, but rather in finding some way in which to bring about keener competition on the part of those with whom they exchange their products. During the last six or eight years we have not been enforcing our anti-trust laws in the United States. The other method of meeting the situation is to find ways and means of limiting competition of farmer with farmer. The problem is to help the farmer to limit his

supply in such a way as to obtain a satisfactory price or basis of exchange.

We must reduce unintelligent competition. It is thought that farmers may be induced to give more thought to the direct satisfactions of life, and spend less energy on commercial production at times when commercial agriculture is over-expanded. It seems to me that the tendency on the part of United States farmers to start in farming without equipment, has in some measure put them in the position of living at a low standard, struggling to put a maximum of energy into the commercial side, and sacrificing many of the direct satisfactions that might be theirs.

We should at the same time stress the possibility of helping to take people out of agriculture. It is a recognized fact that many people continue to farm because they do not know how to do anything else. Others feel that the process of making the transfer out of agriculture into some other occupation is too serious for them to contemplate. They are unwilling to face the problem of finding new homes and new environments. Anything that will facilitate this movement, whether education in schools or adult education, would seem to be helpful.

An important factor in securing a fair income for farmers will be the stimulation of the movement out of agriculture into other occupations. One farmer in Iowa said that there was nothing else he could do. First he could not possibly sell his property, and what skill he had was in farming. But he said he would see that his son should not be caught in the same trap. Boys are continually moving from country to city but the lag is still great in the United States.

I am simply trying to call your attention to some problems which I think come into the sphere of agricultural economics, and which have just as much to do with the farm income as the problems which relate to the economic conditions on the farm.