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CENTRE FOR
EUROPEAN AGRICULTURAL STUDIES

THE DEVELOPMENT OF AGRICULTURE
IN GERMANY AND THE UK:

1. GERMAN AGRICULTURE
1870-1970

GIANNI FOUNDATION OF
AGRICULTURAL ECONOMICS

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ROBERT CECIL

WYE COLLEGE
(University of London)
ASHFORD, KENT
1979

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THE DEVELOPMENT OF AGRICULTURE
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1. GERMAN AGRICULTURE 1870-1970

Robert Cecil

Former Reader in Contemporary German History
University of Reading

WYE COLLEGE, ASHFORD, KENT, ENGLAND.

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THE ROLE OF GERMAN AGRICULTURE : 1870 - 1970

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FOREWORD

Agriculture plays a fundamental role in the social, economic and political development of nation states, and is, therefore, seen by the Anglo-German Foundation as a field of research appropriate to its general terms of reference: to study the problems of western industrial society. This has additional relevance today because Western Society is concerned with the role of agriculture in not only the nation-state but also in the supranational organisation of the European Economic Community. Furthermore the contrasting traditional political attitudes towards the agricultural sector which are currently manifest in West Germany and the United Kingdom give added point to the story contained in these companion reports.

The reports are aimed at increasing our knowledge of the historical background behind the attitudes and positions taken by their respective citizens, farmers, politicians, businessmen and government officials in the development of the Common Agricultural Policy of the EEC. By that deeper knowledge it is hoped to foster a more tolerant understanding.

Agriculture is a supplier of resources as well as a competitor for them, and as such is a fundamental element in the increasing urbanisation and industrialisation of Western Society. In studying agriculture as a competitor for resources, one is led directly into the problems of marginal productivities, net added value and the mobility of resources between economic sectors. Questions of relative efficiency arise.

Efficiency, however, may be defined in relation to technical, economic or social goals. It can be defined as a measure of the relationship between inputs and outputs in an economic or technical sense. It can also be defined as the degree to which stated aims have been achieved. The aims can be stated by the individual entrepreneur. They may also be set down in the statements of policy agreed to by the legislature and government of a country. It is this latter definition of efficiency which led to the decision that it was necessary to study the development of agricultural policy and hence of government

intervention before one could pronounce upon the current comparative efficiency of the two agricultural sectors.

The task of describing the development of agriculture and its adherent policies was entrusted to two authors. The German story is told by Robert Cecil, the British by John Kirk. The difference in their professional experience has inevitably led to differences in approach, content and presentation. Robert Cecil served in the Foreign Office from 1936 until 1967 including a period at the British Embassy in Bonn. In 1968 he was appointed Reader in Contemporary German History and finally became Chairman of the Graduate School of Contemporary European Studies, University of Reading. Here is a picture of Germany as seen by an "outsider", trained to analyse the political, social and economic significance of events and ideas.

John Kirk joined the Ministry of Agriculture and Fisheries (as it was then named) in 1932, just when there was a fundamental change in attitude with a consequent outburst of government intervention in British agriculture. He remained with that Ministry for some thirty years, becoming head of the Economics and Statistics Division, and was then appointed the first Professor of Marketing at Wye College. Thus his story is that of an "insider" who was closely associated with the discussions and decisions throughout the period when government intervention became a dominant feature in the development of British agriculture. His contribution is therefore a unique record and of immense interest to economic and political historians.

In any historical review, a starting date is required. With regard to the development of agriculture and agricultural policy in West Germany and the United Kingdom, circa 1870 is a convenient point. Both countries were faced with a common external phenomenon - the advent of cheap grain from North America and livestock products from the Southern Hemisphere. In the event, each nation took a different decision as to how it should deal with this common externality.

The United Kingdom chose the path of Free Trade and a cheap food policy, which would strengthen its competitiveness in manufactures as well as its ties with its overseas Empire which was a major supplier of

primary products and foodstuffs. The legacy of this mode of thought can be seen in the system of Imperial Preference of the 1930s and even in the special arrangements made for New Zealand dairy products and Commonwealth sugar in the negotiations for UK accession to the European Economic Community.

Germany pursued a policy of Protectionism in both agricultural and its manufactured goods. As Cecil points out "the Tariff Acts of 1879-80 brought both heavy industry and the great estates into line behind Bismarck. The effect was to affirm the political power of the Junkers, as well as to preserve a substantial agricultural sector within the economy".

One hundred years later, the fundamental attitudes of those divergent policies remain. They are strongly represented in the postures and statements made in the Council of Agricultural Ministers of the European Communities. Josef Ertl and John Silkin, the Ministers of Agriculture in the Federal Republic of Germany and of the United Kingdom respectively, are both prisoners of their countries' histories as well as being spokesmen of current political power.

If Free Trade is taken to represent a policy where the forces of a market economy are allowed to dominate, then, in the words of John Kirk, "the most important general cases in which the market may be over-ridden, and often has been, seem to be these:-

- a) to achieve greater self-sufficiency, primarily as an insurance against war-time blockade;
- b) to bolster up a weak economy by substituting home food production for imports;
- c) as a matter of equity or social justice, to achieve higher incomes for farmers or farm workers;
- d) to remedy the inadequacies and inefficiencies of various social or economic institutions, inadequacies that have developed within a market economy and persisted as a result of either inertia or privilege;

e) to correct the tendency of market decisions to be unduly short-term."

The common thread of these two very different presentations of developments in German and British agriculture is, in fact, the story of why and by what means the market forces have been over-ridden and how these forces have shown themselves in the structure of agriculture and its adherent institutions.

In the period 1870 to 1933 successive German governments intervened in ways which directly affected the development of agriculture. Subsequently Germany set about developing an economic autarky in preparation for war. Its whole economy became managed by the State to a degree unknown in peacetime by any other Western nation. German agriculture and its institutions came in for detailed regulation and regimentation, such as to suggest, from Robert Cecil's description, German rather than French or Dutch parentage for the shape and form of the managed market regimes of the Common Agricultural Policy.

Kirk makes the point that over the same period, the UK's agricultural policies did not accept self-sufficiency as a virtue in itself or that the home farmer is entitled to absolute priority in the home market. Such attitudes are thought to be derived from the longstanding relative political power of agricultural interests in continental Europe. It could be suggested, however, that closer relationships with continental Europeans may, however, have begun to influence British attitudes towards the priority of British agriculture in its home market. One has only to cite potatoes and milk.

Where the endowment of natural resources is relatively similar between two countries, differences in the social, economic or political objectives set for the agricultural sectors of the two countries are bound to give rise to differences in their structures and in their use of resources. If, for example, one of them is striving to achieve a higher degree of self-sufficiency in temperate food stuffs than the other, this will almost inevitably lead to higher relative prices being offered to its farmers to bring forth these increased supplies and to compensate for the higher marginal costs which such action will incur. Such is now the situation in the case of West Germany and the United Kingdom.

In 1870 the land areas, populations, and resource endowments were significantly different as between the German Empire and the United Kingdom. But for the past thirty years, there has been a remarkable similarity in these basic factors, including the level of technology available to agriculture and other parts of the two economies. Total population is 61M in West Germany, 56M in the UK, and total land area devoted to agriculture and forestry differs by only some 6000 hectares. Bearing in mind these basic similarities, comparisons of resource use and resource productivities in agriculture in the two countries are all the more interesting and instructive.

The third companion report brings together 38 "pairs" of statistical time series relating to the development of the agricultural sectors of West Germany and the United Kingdom during the period 1870-1975. Forty such series for Germany had already been constructed by Professor Adolf Weber of Kiel University¹. It was therefore decided to attempt the compilation of comparable series for the United Kingdom and to extend both series to 1975. The reader may enhance his understanding of the first two reports by reference to the relevant time series. The study sets down the ways in which comparability has been achieved (or not as the case may be).

The problems associated with the statistical analysis of multiple time series, particularly when these are aggregates, are formidable, and fall outside the scope of this study. However, the narrative attempts to explain, with the use of certain additional data, the relevance of this information to a comparison of agricultural development in Germany and the United Kingdom. In addition, it is hoped that this data will be a valuable source for further research.

The starting point of our commentary was the entry of a common economic factor - cheap grain from North America. It ends with the introduction of a common political factor - the Treaty of Rome and the establishment of the European Economic Community with its Common Agricultural Policy. The overall problem for the future is how the divergent agricultural policies of West Germany and the United Kingdom can be fitted into the CAP. The UK reliance upon imported food coupled with a deterioration in industrial competitiveness, despite its cheap

¹ Weber, A., Productivity Growth in German Agriculture: 1850-1970. University of Minnesota, Department of Agriculture and Applied Economics, 1973.

food policy, have led to a constantly recurring balance of payments deficit, relieved only temporarily by North Sea oil.

West Germany, on the other hand, has brought with it, as have the majority of other Member States, the unresolved agricultural problems of structure, high cost production and income disparity. However, to quote Cecil, "in general high cost agriculture and high cost food are not regarded in West Germany as intolerable, so long as industrial production flourishes, high wages can be maintained and an expanding labour market offers absorptive capacity for those wishing to leave the land. Any major setback to the economy, however, could soon precipitate a reappraisal of agricultural policy".

The persistence of the general economic recession in western industrial society could well be the harbinger of such a reappraisal of the CAP and of the national agricultural policies of individual Member States.