

AGRICULTURAL DEPRESSION IN AMERICA

By W. R. Lester, M.A.

The *New Republic* of New York in a recent number publishes a striking article entitled "Agricultural Depression: The Importance of Land Prices," from the pen of Arthur P. Chew, who is a member of the United States Department of Agriculture.

As is well known, though the industries of the United States have been passing through times of great prosperity, this prosperity has not been shared by agriculture. Vast numbers of farmers have been ruined or are on the verge of bankruptcy, and tens of thousands have fled the calling as hopeless. The farm population declined 604,000 last year and migration from the land is running as strongly to-day as migration to the land half a century ago. In three years the farm mortgage debt has risen from \$4,000,000,000 to \$9,500,000,000. To disclose the basic cause of this disaster is the aim of Mr Chew. He says it cannot be exclusively or even mainly attributed to the causes usually assigned. It is not the product of discriminatory tariffs, nor can the trouble be wholly explained by over-production or by the tendency of farm expenses to remain high after the prices of farm commodities have declined. Essentially, he declares, it results from a profound and comparatively recent change in the relationship between land and population in the United States.

American agriculture began with a virgin continent, and a scarcity of labour, under which conditions landlordism or capitalist farming, except in the slave states, was impossible. Attempts to establish large farms failed, because farm hands left their jobs to take up land for themselves.

Farmers worked farms themselves and not for landlords. Even as late as 1860 more than one million acres of free land were available west of the Mississippi. But towards the end of the 19th century all land of good quality had been taken up. Few appreciate the bearing of that colossal fact on the national economy of America. It is responsible for changes which are at the root of the present crisis. As free land became scarce, bidding for land became keener and land values began to rise. Free land being no longer available to farm operators, the landlord's position changed immeasurably for the better and the land worker's for the worse. Gone was the time when no man had to work for another for less than he could get by applying to nature direct. An upward movement in land values resulted which burdened farm operators with capital charges exceeding the earning power of their land. The trump card was held by the landowner.

From 1900 to 1920 the farm land valuations in the United States as a whole more than trebled, and in the corn belt the increase was much greater. In Iowa, valuations rose from \$43 to \$227 an acre. The natural consequence of these inflated farm land valuations has been to drive the farmer to the money lender, and this accounts for the increase in farm mortgage debt of \$5,500,000,000 in the last three years. Because of these mortgages the working of farms by farmer owners becomes onerous in good times and prohibitive in bad, and since the prospect of rising land values has been discounted against them in the purchase price of their land, they cannot even hope to be indemnified by selling out at a future date. They are thus candidates for the bankruptcy court at the first prolonged slump.

In 1925-26, according to the United States Department of Agriculture, the capital invested in American agriculture was \$59,778,000,000. But only \$32,793,000,000 of that amount was the property of

actual farm operators. That might not have been harmful had this sum represented real capital, such as implements or farm equipment. The trouble is that the share owned by non-farmers is very largely water, pumped in by the insane persuasion that farm land valuations would continue to rise, and thus enable the buyer to get out later at a profit which in point of fact has not materialized. As the total farm valuation was based on this unfounded hope for the future, we need not, declares Mr Chew, look further for the main cause of agricultural depression. Agriculture is suffering not merely from the effects of the post-war land boom, but also from a general previous over-estimate of the earning power of land, accompanied by the failure to realize that land values cannot be persistently increased without placing the farm operator in a hopeless relation to his job. Thousands of farms will not produce the purchase money that their operators have contracted to pay.

With the exception that Mr Chew says nothing against the tariff we may well agree with this diagnosis. Surely the farmer must suffer when everything he has for sale must be sold at world (free trade) price, while everything he has to buy (implements, clothing, etc., as well as freights) must be bought at a highly inflated protected price. What industry in the world could stand such one-sided treatment? Not the farmer's. The handicap is too great and he has not stood it.

With this exception we thank Mr Chew for his analysis. It reads like a chapter from Henry George. But in the conclusions he draws from his premises Mr Chew shows signs of confusion. To begin with, he does not appear to realize that the scarcity of land which has given rise to inflated prices is not a real scarcity. There is plenty of good farm land in America to meet the demands of genuine users, if it could be acquired by them on fair terms. The trouble is that much of it has been acquired by men, not because they want it for productive purposes, but only to withhold it from use till they can squeeze from would-be users the prices they demand. Mr Chew gives no sign that he recognizes this. "Everybody," he says, "knows that towards the end of the 19th century practically all the available free and cheap land of good quality had been taken up," and he implies in another passage that this was a natural consequence of growing population. But it is not so. It is because mere speculators for the rise acquired land in advance of the coming user so as to be able to "bleed" him on arrival. But for that, the user would find land in plenty—both cheap and good.

The central problem is how to get rid of the forestalling non-user, thus throwing open the land to the would-be user. To this problem Mr Chew does not address himself. Then Mr Chew identifies land with capital, which error leads him to admit that mere landowners, as distinct from the land users, are entitled to get a price for their land provided the price properly reflects its earning power. Were this true land users could never aspire to more than a bare living, for they could legitimately be called on to hand over to mere owners all they produce in excess of it.

Seeing no other way out of the impasse Mr Chew, in the end, comes down on the side of subsidies. But he does so with hesitation and misgiving. "Subsidies are dubious things; but if an agricultural subsidy is considered desirable the least harmful would be one that permitted public intervention in the settlement of agricultural debts, so that claims might be equitably compromised and a better relation established between the farm operator and the outside capital invested in agriculture." This is his suggested plan for getting the over-mortgaged farmer out of his trouble, but even were it adopted the cause of the trouble (land speculation) would remain in being and no human power

could prevent the whole tragedy being re-staged at an early date. He seems to recognize this objection for he says later that "something might also be attempted to prevent a repetition of the disaster" though what this "something" is he does not tell us. "At bottom the salvation of working farmers lies in getting them to realize that, hereafter, work rather than rising land values must be relied on for profit in agriculture."

Once again no suggestion is made as to *how* this consummation is to be attained so long as the law allows these land values to be privately appropriated. Mr Chew comes very near the point when he declares: "An ideal solution of the farm problem would establish a perfect identity between the agricultural capitalist and the farm operator. Under our property system that is inconceivable." Then why not deal with "our property system" which blocks the way? The step we should take is to make title to land contingent on payment of its economic rent to the community. Only so long as this payment is made to the community should title to land be recognized by the community. This would be accomplished through the taxation of land values and with the coming of that simple though radical reform the whole situation, both agricultural and industrial, would be changed and the aims of Mr Chew as expressed in the *New Republic* would come within our reach.

With this alteration in "our property system" the forestalling of farm operators by land speculators would automatically cease and with it both inflated land values and over-mortgaged farms. Forestalling land speculators being out of the way, all land desired for *bona-fide* farming would become available at *natural* rents and it would be borne in on every farmer that only by productive work, and not by pocketing rising land values could he hope to make a living, for land values would have passed into the possession of the community in substitution for present taxes on industry. With that passing it would pay no man to acquire land except to use it, so that only those who used land would have land. Land values being public revenue the need for taxes on the farmer's industry would disappear and he would no longer be called on to bear the enormous burden which the tariff system of the United States now imposes on him.

Mr Daniel Hopkin, the Labour Candidate at the recent Carmarthen by-election, made Land Value Taxation the foremost plank in his campaign. Miss Helen Keynes and Alderman Longbottom, Labour candidates in Epsom and Halifax respectively, have also strongly urged the land value policy; and in the Holborn by-election, Mr T. E. Morris, the Liberal candidate, kept the question before the electors.

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Among the scores of Press clippings we have received of letters and articles by our correspondents we gladly notice those of Jabez Crabtree and C. H. Jones in the *Keighley News*, Herbert Wood in the *Sunday Times*, J. H. McGuigan in the *Portsmouth Evening News*, George Linskill in the *Daily Herald* and the *Grimsby Telegraph*, G. A. Goodwin in the *Prestatyn Weekly*, J. C. Geddes in the *Dundee Courier*, John Peter in the *Glasgow Herald*. Many other letters from correspondents are mentioned elsewhere in our columns.

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SIR EBENEZER HOWARD

The recent death of the founder of the Garden City movement recalls many things of interest to those who have devoted their attention to the problems connected with land. The movement took into consideration other problems not connected (at least directly) with land, but it may be said that Sir E. Howard recognized the land problem as the fundamental one of those which trouble humanity. He was acquainted with the views of Henry George, he was associated with others who have devoted their attention to the subject, and he desired to try an experiment which should not only accomplish something in itself but should teach the world some lessons which the world seems very slow to learn. He saw that the results of progress tend to concentrate in increasing the value of land, and the principle on which he desired to proceed was that of buying an area of "cheap" land, settling an industrial, residential and agricultural population upon it, and applying the resulting "unearned increment" for the benefit of the group of people whose activities had created it.

The experiment might have a small beginning, but Howard's strong point was that an association of persons, agreed among themselves and willing to take a little trouble and to risk a little money, could make that beginning in a reasonable time, while it might require ages before Government action could accomplish anything. Having been an official reporter in the House of Commons, he knew something of legislative proceedings and of the amount of time which they consume.

The experiment began to take practical shape in 1904, when "First Garden City, Limited" purchased about 4,000 acres at Letchworth and proceeded to develop it. The land was not to be sold, but let on lease, the dividend of the Company was to be restricted to five per cent and any surplus to be applied for the benefit of the district—especially, it was hoped, to the reduction of rates.

There were many difficulties, not the least being the war, in consequence of which many improvements remained only partly completed, without producing any return upon their cost. The dividends got considerably in arrear, but a beginning has now been made in the reduction of these arrears. And Letchworth has now about 14,000 inhabitants and possesses many advantages over other places of similar size, a tribute to the thought and energy of its founder. It is a matter for general congratulation that Sir Ebenezer lived to see so much of his design accomplished.

Some disappointments in such a scheme are inevitable, but useful experience is gained from them. A concrete illustration has been given of the advantages to be obtained from eliminating some part of the evils due to private property in land. On the other hand, the experiment shows the limitations inevitable to experiments of a partial character, to the formation of colonies or "enclaves," to all movements of the type sometimes described as "a wheel within a wheel." But the advantages realized should help to give idea of the possibilities of a policy which should combine the opening up of natural opportunities with a reform of the existing absurdities of local and imperial taxation.

G. C.

The rate relief by subsidy from motorists will, both in town and country, lead quickly to a higher level of rent of land and higher prices demanded for land, and it will ultimately crystallize out in land values to the benefit of landowners.—DR PERCY McDOUGALL in the *Manchester Guardian*, 20th June.