

Middle Western Growing Pains

BY F. B. NICHOLS

Largely because of economic immaturity, the prairie lands suffer worse from depression than other agricultural regions

A LARGE truck filled with fat cattle moved slowly into the industrial district of Kansas City. The owner of these animals sat beside the driver. For nearly two hundred miles he had been watching farmers at work on their spring tasks in the fields. An endless panorama of growing gardens, busy poultry flocks, contented dairy cows and fattening hogs had unfolded around the rural homes. It had been a trail of great activity and abundant promise for the harvests of 1933.

Then the picture changed abruptly to the desolation of Middle Western commercial life in a time of depression. Few employes were in sight around the factories. Even the switch engines were still. Production was at a low ebb. Many of the plants had been closed. Smokeless chimneys throughout the area registered their dots on the mirror of woe.

Presently the vehicle turned into a street which led to the stock-yards. It soon came to a stop before an unloading platform. The stockman stepped to the ground and stretched tired muscles, cramped by the long ride from his feed lots. "It seems to me," he remarked to the truckman,

"that the manufacturers aren't doing much business these days. The Middle West evidently still depends mostly on the money made by countrymen. And that means this region has a big task ahead in building itself up. Conditions will be unstable for a long time."

The livestock producer was stating an old but little understood attribute of a land in its callow days. Few explanations of the unrest in the prairie States outline the problem so frankly. It usually is ignored by champions of the great open spaces. They give little heed to records of violent swings in commodity values and urban effort over this huge area. Sometimes the omission is due to ignorance. But frequently it is a deliberate policy, especially among Senators and Congressmen from the Middle West when they are delivering addresses for home consumption. Many of the classical examples of "talking all around Robin Hood's barn"—borrowing an expression from the language of the Middle West—on its commercial problems are embalmed in the Congressional Record.

And yet the Middle West is a

noted example of an economically youthful land. No better illustration from the United States is available to professors of economics for use in lectures on the hardships inherent in such regions. But even some executives of financial institutions, and especially mortgage bankers, have failed to grasp the plain implications of grief during a period of depression. The oversight has brought both an overexpansion and excessive deflation of the area in the last decade.

This general inability to see its limitations has been due partly to skillful propaganda by chambers of commerce in the territory west of Chicago. For years they laid great stress on the budding industrial development. Their theme was that the prairies had grown out of the agricultural epoch. Especially did the secretaries bear down hard on the magnitude of city pay-rolls. And before 1930 they were able to juggle income figures in an impressive manner.

But an analysis of their exercises in arithmetic shows that this region is merely in the first stages of erecting an urban civilization on the farm foundation. A large share of the salaries and wages over which commercial leaders in Omaha and Kansas City delight to gloat, for example, comes from meat-packing plants and flour mills. Such establishments simply prepare agricultural products for sale to consumers. Another considerable part of the income goes to employees of vast distributing companies that obtain their business directly or indirectly from rural people. Transportation units which serve countrymen contribute another big slice of the funds. And most manufacturers produce equipment for

farm and ranch use, like stock tanks and feed grinders. Here and there, however, is an industrial organization which does not look to agriculture for any broad share of its profits. But in many instances the larger concerns of this type are oil refineries and coal mines, and they also are thoroughly depressed.

Speaking generally, therefore, the Middle West depends for income on the raw or partly processed farm products it sells to surplus food consuming regions, usually in the Eastern United States or Europe. And this vast area buys the larger part of the non-agricultural commodities it requires from manufacturers located in the East. A great deal of the capital investment, in both town and country, has been borrowed. The prairies thus reflect an almost perfect picture of economic immaturity. A better understanding of this set-up, with all it conveys in the operation of the business cycle at various stages, will aid in building a sounder financial structure.

ESPECIALLY would it help if the people remembered records of extensive swings in commodity prices. These are an almost constant plague to farmers in this region. At infrequent intervals they have been remarkably severe. Unusually destructive price debacles, for instance, occurred throughout the Middle West in the 1870's, 1893 and 1932. In every case these were followed by important political reactions, like the one registered at the last general election. Such unrest always has occurred in economically young farming countries following abrupt and deep declines in the markets. It

exists generally now in Western Canada, South America, Australia and New Zealand.

But it is not so common in the older agricultural areas. While these localities also suffer greatly from price typhoons, they are aided during lean years by the power of accumulated capital, and in most cases through active markets nearby in large cities and industrial communities. There is far less discontent today among rural people in Ohio and Pennsylvania than among farmers in the Middle West. The producers in the East are obtaining higher prices, inasmuch as they pay a lower toll in selling and transportation costs.

Agricultural prices in the United States have declined 55.8 per cent from the average levels of 1929. In August of that year they stood at 143 per cent of the pre-War index figure. But the changes in values of commodities on my farm (near Buffalo, Kansas) have been far greater than the national averages. The low market levels of this spring, when compared to the higher prices elsewhere, illustrate the handicap that countrymen in the Middle West must be prepared to face. Wheat, for example, is selling at our local elevator for thirty-eight cents a bushel, while forty-eight to fifty-five cents is being paid east of the Mississippi River. I received eight cents a dozen this week for my eggs, about half the price paid to poultrymen in New Jersey. And the difference in butter-fat markets is almost as great. Hogs are worth \$2.85 a hundredweight here, although about \$3.50 is being offered at most local markets in the East. These quotations represent quite accurately the normal varia-

tions between my markets and those nearer the thickly populated centres with most other farm products.

The current commodity values in the prairie States are absurd and distressful. They have brought poverty to rural people and chaos in urban homes. In many cases their broad social effects have been far more destructive in the cities of the Middle West than on the farms, for countrymen normally have plenty of food to eat. The situation is deplorable. But it is not new! Once more we are experiencing a major market avalanche. And if economic history offers any indication of future trends it follows logically that the business cycle again will bring a period of general collapse in the prices of crops and livestock. Will it leave the usual wreckage in the Middle West?

A PART of the losses which are so common during an agricultural depression easily could be avoided by an application of more conservative policies during prosperous times. And before 1929 the American people gave much attention to plans for exerting at least a partial control over the business curve. Perhaps they will renew their interest in this instructive avocation. In any event it seems that the people should have a desire to conduct their affairs in a manner which will aid in avoiding some of the terrific deflation that is certain to accompany the next period of hard times.

Problems which arise from indebtedness are much in the foreground of interest these days. In view of the various types of moratoriums (farm mortgage and otherwise) that are in effect over the

Middle West, it is evident that one much-needed improvement in the financial scheme is for people to get out of debt — and then stay out! This will not be easy. The project will require years of effort. And it will call for a further development in the art of sales resistance. But if it can be achieved the farmers will secure more restful slumber. For “when you run in debt,” as Benjamin Franklin said in the long ago, “you give another power over your liberty.”

Fortunately the prairie region contains many individuals who have an accurate perspective on the dangers inherent in borrowed money. They should be a source of inspiration to their fellows who are all but filled with the blackness of despair as they ponder on the current financial woe. In Kansas, as an illustration, fifty-six per cent of the farms managed by owner-operators are free of mortgages. Such men, who may be found in considerable numbers in all States, occupy the most secure position these days of any large group in the nation. They can not be removed from their home or job so long as taxes on the property are paid.

Incidentally, these debtless rural people have done the soundest thinking during the last decade that was registered by the various big classes of American citizens. They had little or no confidence, for example, in the stability of the United States during the three years preceding 1929. Such individuals were talking about the “hard times of the ‘Seventies” when economists were wondering if the secondary depression following the World War would arrive on the normal schedule for similar events —

as it did! And they constitutionally are unable to see any virtue in Wall Street and its works. So these far-seeing farm owners kept buildings painted, stayed free of debt, accumulated a little ready cash and otherwise prepared for the avalanche. If more people in the Middle West had followed their example this region would be on a firmer foundation.

Fate apparently has decreed, by the way, that the business plans of conservative and debt-fearing farmers always should run against the drift of popular thought. Even early this year, when many people could “see no way out of the mess,” this group was far less pessimistic than in 1928. Its members ventured frequently to forecast upward trends in prices during 1934 and 1935. And if they dealt in cattle these men usually were buying steer calves, which will be ready for market in those years.

If rural people make a determined effort to avoid debt during the next boom it will help in preventing land prices from being elevated to absurd heights. This restraint is necessary in any project which aims to cushion the violence of the succeeding financial crash. Its importance is illustrated today by the dark debris in Iowa, where an overcapitalization of the soil reached its most dizzy pinnacle. Farms in that State sold for \$500 an acre or more in many instances from 1918 to 1920; these prices were not justified by even war-time market levels. And it was evident at the time that such conditions could not endure.

The farmers of Iowa have no logical excuse for becoming involved in their absurd speculations. But all classes participated in the bubble.

And rural people were encouraged in their blind optimism by agents of mortgage companies, paid as a rule by commissions on the business placed, who gave approval to loans at fantastic figures. The executives of these concerns apparently were unable to understand the nature of the unstable pyramid they were erecting. Many of those swollen mortgages have been foreclosed in the last year, after the time allowed for payment had been extended once or twice. In most instances such investments will be liquidated at a serious loss to the creditors. In the meantime the debtors have lost all their savings.

BUT the bankers ran true to form during those foggy years. They generally have lacked an historical perspective on farm prices. Especially do these financial leaders commonly fail to understand the relationship between land values and earning power. For this is a highly involved problem that sometimes is difficult to grasp by men trained in agricultural economics. It will vary from farm to farm in the same locality. Even the technique of measuring earning ability is difficult to state. But in the pasture country it exists in the most simple form. This year, as an illustration, I am pasturing mature steers, with four acres allowed to the animal, on part of my land to sell for six dollars a head. Such grassland would bring fifteen dollars an acre; sixty dollars' worth of property is being used for every steer. If six per cent is a fair return on the investment, \$3.60 must be charged to interest. Taxes for 1933 may amount to twenty-five cents an acre; one dollar will be required in

meeting this overhead item. My total outlay on these costs, which are the main ones, therefore will be \$4.60. And I shall have \$1.40 left for maintaining the fences, to pay the small cost of the salt an animal eats and for profit.

In many instances, however, cattle are being pastured in this section of Kansas for a five-dollar price. Forty cents perhaps would pay for repairing fences and the salt, but it certainly would give little or no profit. And if the land valuation were increased to twenty dollars an acre (in many cases before 1929 similar bluestem areas sold for twice that sum), the transaction obviously would result in a loss.

Land valuations and pasture rentals do their dizzy dance up and down the scale almost every season, depending largely on the prices paid for beef in great central markets like Kansas City and Chicago. But despite these variations it is much easier to measure the earnings of pastures than of more fertile areas that are planted to cultivated crops. The overhead and production costs on such fields change from season to season. Yields also are certain to vary greatly from year to year, due to the influence of climatic conditions and methods of cultivation. And it is impossible to forecast the price trends of crops accurately.

In other words, the commercial structure of agriculture and its earning power have refused to "stay put" at any level. But all classes in the United States, including consumers of food in the cities, agree that it would be helpful to the nation if the prices of farm products would remain more nearly stable. And Congress

has been tinkering for years with economic forces in an effort to avoid extreme fluctuations. This was the object of the stabilization activities of the Federal Farm Board, for example, which have been compared to the performance of a bull in a China shop.

No economists of my acquaintance are prepared to forecast that the stabilizing theories of politically minded ladies and gentlemen in Congress always will result in failure. And they generally reserve judgment on the agricultural ideas of President Roosevelt and Secretary Wallace, who are respected for their broad interest in rural problems. Some countrymen are quite hopeful about the new national policies. But students of political economy have not been impressed with former Government projects for increasing the farm income. And neither am I, especially while observing the eighteen-cent corn and thirty-four-cent wheat in my bins.

But both the learned professors and rural people agree that it would be helpful if the base of farm products markets could be broadened. This might be accomplished through a growth in foreign sales. These formerly were quite large, especially

for wheat and pork. They have declined now to tiny proportions. The producers commonly believe that much of this loss was caused by high tariff walls and ill will in other lands which resulted from an ineffective foreign policy of the United States Government. They think it can be improved. And most thinking farmers realize that a revision of the War debts is essential in this project.

If a better international position under the present Administration should bring a recapture of the large outlets abroad for American farm products it would aid in maintaining prices during the next depression. For it is evident that most of the markets have been pounded down to their current levels by surplus production which in the past was sold to other lands.

Farmers also would be glad to see more industrial activity in the Middle West. It could increase the local demand for food and thus aid in holding prices more nearly stable. But the growth in manufacturing is not likely to come very rapidly. Agriculture is certain to be the dominant industry in the prairie region during this generation. Economic maturity will be achieved slowly.



American Novelists vs. the Nation

BY LOUISE MAUNSELL FIELD

Does Jones sometimes exaggerate, or is he a damned liar?

NATIONS are known by their novelists. Known, not only to other nations, but to different sections of their own. Aided and abetted by the motion pictures so often made from them, as well as by direct translation, books are little if at all impeded by frontiers. The word pictures they convey of a nationality are only too frequently accepted as photographically accurate studies of that nationality, and as such become impressed upon the minds of people belonging to other races and other nations, impressed more clearly, more deeply, than is often quite realized. And if those pictures are false or distorted, misunderstandings may and sometimes do result, misunderstandings too firmly engraved to be erased by any number of Peace Conferences.

For while it is true that the intelligent of every nation measure every other by standards far broader, far more comprehensive than those established by its fiction, the intelligent of any nation constitute an extremely small minority of its population. The effect of the written word, moreover, even upon the comparatively intelligent, is frequently very great and very lasting. Because

their enemies, the Hebrews, wrote them down as cruel, the fact that the Egyptians were the most humane of all the ancient peoples is one even the fairly well educated ignore, or are slow to accept. French fictionists convinced the rest of the world that the triangle situation was the only one in which France was vitally interested; it was years before a goodly portion of our own Northerners ceased to regard the South as inhabited principally by Legrees and Uncle Toms. Those English novelists who sneered at England had their share in bringing about the World War.

But while the evil of fomenting misunderstandings between nations is readily seen and as readily acknowledged, the peril involved in misinterpreting one section of a nation to another seems quite unrealized. We Americans are inclined to preen ourselves on the vastness of our country, with its borders stretching from the Atlantic to the Pacific. We are proud that we have every type of climate, that settlers have come to us from every quarter of the globe, representing every race, tradition and form of culture. But on account of these very conditions